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Outdoor training loses its thrill

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FINANCIAL TIMES

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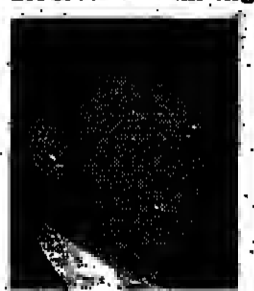
Japan's coalition under pressure as SDP faces split

Japan's coalition government will be under pressure this week from the threatened break-up of the Social Democratic party, second-largest member of the three-partner alliance and headed by prime minister Tomiichi Murayama. An attempt to set up a new centre-right group, led by members of the SDP's rightwing, weakens Mr Murayama's authority on the eva of his departure for a summit with President Bill Clinton. Page 12; Lex, Page 12

Beijing to expand forex trading: China announced plans to broaden its fledgling market-style financial system by expanding foreign exchange trading and allowing foreign joint venture banks into Beijing for the first time. Page 4

Çiller agrees reforms: Turkey's prime minister Tansu Çiller, responding to growing international criticism, promised to remove a constitutional clause used to control the media and political opponents. Page 12; *Kurdish hopes founder*, Page 4

BA chief hints at Virgin settlement



British Airways chairman Sir Colin Marshall (left) has hinted that an out-of-court settlement may still be possible with Richard Branson's Virgin Atlantic in the "dirty tricks" dispute over trans-Atlantic routes. His comments came as Virgin charged that BA was still engaging in "anti-competitive behaviour". A US court last week gave Virgin the go-ahead to bring a near-$1bn anti-trust case against BA. Page 12; BA warns on Heathrow plan, Page 5

Telecom bidders take back seat: Perceived prejudice against French and German companies has forced Deutsche Telekom and France Telecom to take back seats in the competition for a stake in the Czech company SPT Telecom. Page 13

Ratings downgrade hits Mexican banks: The health of the Mexican banking system came under severe questioning after ratings agency Moody's Investors Service downgraded its ratings for some deposits of Mexican banks a full two grades. Page 3

Corruption probe ordered: The Spanish government has ordered an investigation into corruption allegations in the Interior Ministry in response to a string of highly sensitive political scandals. Page 2; Editorial Comment, Page 11

MTV faces a strong challenge in Asia following a decision by four of the world's largest entertainment groups to join forces with Rupert Murdoch's Asian satellite television venture, Star TV. Page 2

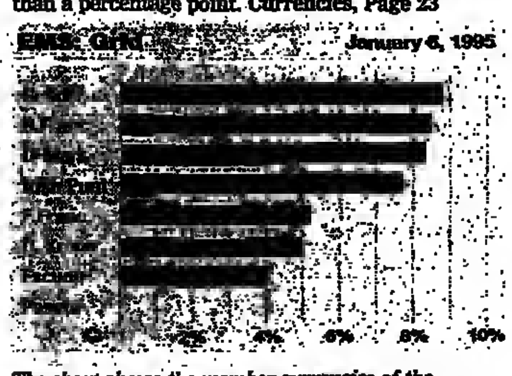
US budget battle looms: Republicans and Democrats sharpened the battle lines on two imminent policy issues – the balanced budget constitutional amendment and a possible recommendation by President Bill Clinton this week to increase the federal minimum wage. Page 3

Trafalgar offer expected: Trafalgar House will publish its formal offer document for Northern Electric this week – probably today – amid growing expectations that the UK government will refer the £1.2bn ($1.8bn) bid to the Monopolies and Mergers Commission. Page 13

Italian crisis talks reopen: President Oscar Luigi Scalfaro will meet the outgoing prime minister Silvio Berlusconi in Rome today to reopen talks on solving the country's political crisis. Page 2

European Monetary System: An official interest rate rise in Spain last week failed to save the peseta, pushing it to new lows against the D-Mark, while the order of currencies on the EMS grid remained unchanged. The Portuguese escudo strengthened against the peseta after breaking the Es1.2 a peseta barrier on Friday and the D-Mark improved against the Spanish currency by more than a percentage point. Currencies, Page 23

EMS: Grid January 6, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Sri Lanka starts fragile peace: Sri Lanka began a "cessation of hostilities" with Tamil rebels in a major step towards ending an 11-year war that has cost more than 30,000 lives. Page 4

Tibetan hotel group plans issue: Tibet's strengthening tourism industry has led to the first announcement by a local company of plans for a public share issue. Page 15

Environmentalist found dead: Briton Andrew Lees, missing in dense tropical forest on Madagascar for a week, was found dead. Mr Lees, 46, a campaign director of Friends of the Earth, was believed to have suffered a heart attack.

EU states welcome Austria into the ERM

By Peter Norman, Economics Editor, in London

Austria joins the European exchange rate mechanism today following a weekend agreement to admit the Schilling at recent market rates.

The agreement, reached a week after Austria joined the EU, underlines its determination to be in the "hard core" of countries aiming to be members of the planned EU economic and monetary union.

A communiqué issued after a brief meeting on Saturday of the EU's secretive monetary committee said Austria would continue its established policy of exchange rate stability. That means the schilling will continue to be pegged to the D-Mark within the broad 15 per cent fluctuation margins that have been allowed for ERM countries since a currency crisis nearly wrecked the system in August 1993.

The Schilling's central rate has been fixed at Sch7.0355 to the D-Mark and Sch13.7167 to the European currency unit (Ecu). Austria's decision to join the ERM was welcomed by other EU member states, the EU Commission and the European Monetary Institute. It had been well flagged in advance and is not expected to have any direct impact on foreign exchange markets.

The decision to subject the terms of Austria's ERM entry to scrutiny by the monetary committee is potentially significant for long-time EU members such as Italy, Greece and Britain, and to new members, Sweden and Finland, which are not members of the ERM.

While Austria had an undisputed right to join the ERM, it is understood that the Bundesbank, Germany's central bank, insisted that the monetary committee must meet on behalf of EU finance ministers and central bank governors to discuss the entry terms. This was to keep alive the precedent of subjecting the proposed central rates of ERM applicants to review by other EU member states.

The Bundesbank has been determined to avoid repetition of the circumstances that preceded Britain's short-lived membership of the ERM when, in 1990, London unilaterally announced a central rate for sterling before its formal admission. Many Bundesbank officials and independent economists thought the sterling rate too high and a contributory factor to Britain's later forced exit from the system. Saturday's meeting rapidly established a consensus on Austrian ERM entry at recent market rates, but did not discuss currencies other than the schilling. The Swedish krona and Finnish markka will continue to float.

The gathering was notable for the participation of the Frankfurt-based EMI, set up a year ago as a precursor to the planned European central bank. One of its duties is to oversee the functioning of the European Monetary System.

Some analysts suggested it should ponder the disclosure that Austria planned to keep its currency pegged to the D-Mark, on the basis that this could point to the strengthening of a D-Mark block within the ERM.

Major sees chance to reunite Tories on Europe

By James Blitz in London

Mr John Major, the UK prime minister, yesterday raised the possibility of a reconciliation with Euro-rebels in the ruling Conservative party by saying he would veto any federalist moves at next year's summit on the future of the European Union.

With MPs due to return to Westminster this week after the Christmas break, the prime minister adopted a conciliatory tone towards the nine MPs who lost the Tory whip in the House of Commons last month, saying he would be looking for ways for them to return to the party.

In an enticement to the rebels to support his legislative programme, he formulated a more Eurosceptic approach towards EU reform, emphasising that he would block any call for greater federalism at the inter-governmental conference in 1996.

But, Mr Major emphasised that the rebels – who lost the whip after voting against the EU finance bill last year – would only return to the fold after demonstrating their loyalty.

"I believe the nine who are beyond the conservative whip at the moment will be looking for opportunities to come back and I would like to have them back," he said on BBC TV. "But they've got to come back when we are content and they are content that we're all marching in the same direction."

In his first interview of the new year, Mr Major gave his most detailed exposition to date of the conditions under which he would offer a referendum on the outcome of the IGC in 1996.

Amid growing uncertainty among members about the EU's development, the prime minister said he did not expect any significant change to be decided at the constitutional conference.

He also stressed that any changes would require unanimous backing from all member states, allowing the UK to block anything it did not want.

But he added: "If, in some fashion I cannot fathom, something emerges from that conference that I wasn't able to block ... then I would certainly keep open the option of a referendum in 1996."

He also made clear that there was no question of Britain supporting a move towards a single currency in 1996 or 1997 if other countries took that route.

Conservative MPs said yesterday that the timing of Mr Major's olive branch to the rebels was crucial.

It comes just before MPs vote on whether the government should retain a majority on Commons' committees which scrutinise legislation. The vote arises because the rebels' loss of the whip technically puts the government in a Commons' minority.

Conservatives were confident yesterday that they would win the vote, amid signs that the Ulster Unionist parties will support the government.

Survey says City may benefit from EMU, Page 5

Kohl says war is 'complete madness' ■ Moscow feuding increases

Losses rise as Russian grip tightens on Grozny

By Chrystia Freeland in Moscow

The Russian government claimed last night that its forces had reached the centre of Grozny yesterday, but Russian media said troops were taking heavy losses as they fought through the streets of the Chechen capital.

The conflict, described by German chancellor Helmut Kohl as "complete madness", placed fresh strains on Russia's relations with the west and with the Islamic world.

Moscow cancelled a joint military exercise with Germany and withheld visas from German parliamentarians who wanted to discuss Chechnya with Russian colleagues.

The independently owned NTV station reported yesterday that Russian troops were within 600m of the presidential palace in Grozny's central square, but Chechen forces were showing stiff resistance and retained control of the heavily shelled building.

In Moscow, feuding between politicians and the military grew more bitter – and international criticism of Russian policy took on a more strident tone.

Mr Kohl said in a radio interview: "We see people suffering, civilians, women and children, we see victims among the soldiers and regard it all as complete madness." Only in the past week has the chancellor, who describes President Boris Yeltsin as a friend, spoken out against the Russian advance.

At the weekend, Russian troops appear to have abandoned their effort to take Grozny with tanks and air raids in favour of intense shelling and street-by-street advances.

General Viktor Vorobyov, commander of the interior ministry troops involved in the campaign, was killed on Saturday when a mortar shell exploded next to him, Russian officials said.

The death of Gen Vorobyov, who had publicly opposed the killing of civilians and was highly respected within the armed forces, may add to the military's discontent at being involved in an unpopular war.

In a further sign of a search for scapegoats in the Chechnya crisis, Mr Sergei Shakhrai, a deputy prime minister, launched another attack at the weekend on the military.

Mr Shakhrai, who last week accused the armed forces of intentional "sabotage", lashed out at senior officers who he said had given large amounts of weapons to the Chechens when they first broke away from Russia three years ago. Mr Shakhrai singled out General Pavel Grachev, defence minister, who has been fiercely criticised for the failure of Russian troops to capture Grozny swiftly, and General Boris Gromov, deputy defence minister, who has been a leading opponent of the war from the outset.

Senior military officials said privately that even if they capture Grozny, Russian troops may be bogged down in a guerrilla war for months or years.

The 51 Moslem states that make up the Organisation of the Islamic Conference (OIC) called on Moscow to stop violating international law by using indiscriminate force against Chechnya.

Red tape rules Russia, Page 2

Several hundred Communist sympathisers demonstrate in Moscow yesterday against the Yeltsin government's continuing military action in Chechnya. The headline on the poster of newspaper clippings held by one of the protesters reads 'Criminals, Traitors, Murderers of their own people'. Picture: Associated Press

France challenges Brussels over TV cultural controls

By Emma Tucker in Brussels and Andrew Jack in Paris

The fate of late-night philosophy on French television and Hollywood's hold on European screens may be settled this week as France launches a concerted attempt to toughen cultural controls before the outgoing European Commission takes its final curtain call.

Two senior French ministers are heading to Brussels today to argue for tighter rules to prevent broadcasters buying more and cheaper US-made programmes rather than supporting European versions which they hope to be more high-brow.

Mr Jacques Toubon, minister for culture, and Mr Nicolas Sarkozy, minister for budget and communications, are planning to meet Mr Jacques Delors, the outgoing president, today. A meeting on Wednesday will consider tighter quotas on the broadcasting of non-European material in member states.

The debate revolves around proposed revisions to the 1989 Television Without Frontiers directive, which requires at least 51 per cent of material shown by European channels to be of European origin.

The French want the 51 per cent to be binding on all members. They support revisions proposed by Mr João de Deus Pinheiro, the outgoing EU audiovisual commissioner, to remove a loophole stating that the quotas had to be met "wherever practicable".

The revisions were diluted after opposition from Mr Delors and others including the UK's Sir Leon Brittan and Mr Martin Bangemann, the German commissioner, who last week appeared determined to stop what they saw as poorly conceived and inappropriate legislation that could damage Europe's audiovisual sector.

Mr Toubon argued over the weekend that the debate was as much an economic argument about saving the European broadcasting industry as a cultural one.

Changes to the directive unleashed strong lobbying from the US.

The Commission's legal services unit must decide whether a vote held by the commission after the formal end of its latest session last Friday will still be binding – the terms of the 20 commissioners officially expired.

Paris takes cultural battle to Brussels, Page 2

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK35	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pes50	Switz	SFr3.60
Estonia	EKr20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.50	Lux	LFr70			UAE	Dh12.00

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Sweden faces markets' response to Moody's downgrading of sovereign debt

Stockholm budget to cut spending

By Hugh Carnegy in Stockholm

Sweden's Social Democratic government faces a vital test of its economic policies this week as it aims to offset the damaging effects of a downgrading of the country's sovereign debt rating with the administration's first budget since it came to power last September.

Long-term interest rates are expected to rise today when Swedish financial markets – which were closed on Friday – have their first chance to respond to the decision on Thursday by Moody's, the US rating agency, to downgrada Sweden's debt rating to Aa3 from Aa2 because of a public-sector debt which is around 90 per cent of gross domestic product and still growing rapidly.

Getting down interest rates is one of the central objectives Mr Göran Persson, the finance minister, hopes to achieve when he announces his budget tomorrow. He has promised SKr20bn (£1.7bn) in spending cuts which, combined with emargency measures already taken to reduce a near SKr200bn budget deficit by SKr57bn over four years, are intended to stabilise the debt by 1998.

With yields on long-term government bonds last week standing at 10.8 per cent – well above benchmark German rates – Mr Persson is anxious to convince sceptical markets that Sweden's crisis in the public finances is under control and thus prompt a fall in interest rates which in turn would fuel the modest recovery now under way in the economy.

The Finance Ministry sought to extract a silver lining from Moody's action at the weekend, saying it was a signal to those within Social Democratic ranks who oppose spending cuts in the generous welfare system that there was no alternative.

Since the emergency package and Sweden's vote last November to join the European Union, long bond yields have fallen back from levels above 11 per cent.

But the move by Moody's will at least make a further fall less likely and will reinforce those in tha markets and within the right-wing parliamentary opposition who argue that even more fiscal savings will be required beyond those planned in the bndget.

Uncomfortably for Mr Persson, Moody's had already taken into account the savings expected in the budget, but still issued an ominous warning that Sweden risked carrying a big debt burden for so long that it would have difficulties managing the next recession.

"Even if the government can implement significant budget tightening over the next few years, Sweden's public debt position could still be weak at the point where the next cyclical downturn begins," it said.

A further concern raised by Swedish commentators was that Moody's decision could be an incentive for the country's big international corporations, which borrow heavily on international markets, to move abroad. But Moody's said Sweden's sovereign rating remained above the maximum rating for its private-sector corporations and they should not suffer higher borrowing rates as a result.

Paris takes cultural battle to Brussels

Andrew Jack and Emma Tucker on France's fight to protect its language from Hollywood influence

The battle lines are drawn, the characters colourful, the plot strong. The only question is whether the debate over EU broadcasting quotas would be better televised as a Hollywood-style blockbuster or a late-night philosophical discussion from a smoke-filled Paris café.

This week the tension between cultural preservation and free markets reaches a peak in Brussels as ministers, officials and lobbyists fight over the prospect of tightened limits on the amount of European-produced material that broadcasters within the European Union must use.

At issue is the Television without Frontiers directive, with proposals to close the loopholes which would ensure that at least 51 per cent of the material shown on European channels is produced within the continent.

It is the French who are most in favour of tightening the loopholes. Ironically, it is one of their own countrymen, the head of the Commission's legal services unit, who must decide in the next few days whether European law will permit any formal decisions, including a resolution to the TV debate, to be made after the formal end of Jacques Delors' Commission presidency last Friday.

No European country is more sensitive to the issue of conflict between culture and free markets, and nothing excites the Gallic temperament more than when the debate centred on its most sacred product: language.

It is no surprise that Mr Jacques Toubon, French minister of culture, has been at the forefront of the battle. Dubbed "Jack Allgood" – a literal English translation of his name – by his critics, he masterminded the introduction of rules last year to reinforce the use of the French language against the threat of foreign words.

Speaking to Le Figaro newspaper on Saturday, Mr Toubon said: "We are not calling for the creation of a bureaucratic European cinema system, we are asking for those things that would allow us to compete with the Americans, who have a formidable bureaucracy and are very protectionist about the cinema and audio-visual matters."

France has long taken explicit steps to support its cultural industry. "A free market still needs a minimum of rules," says a Ministry of Culture spokeswoman. "We want to preserve diversity of culture."

Mr Antoine Veronique, secretary general of the French federation of film distributors, says: "Without quotas European production will no longer exist. This is a fragile industry. It is not simply a question of several hundred film producers' jobs, or those of artists and technicians. It's about cultural life."

The country has long used quotas to help provide support. "Our system is very complicated, and the most regulated in Europe," says one senior television executive who prefers not to be named. "It's a little too much. It is unfair when we complete with broadcasters in other European countries."

French television channels are forbidden to show films on Wednesday evenings, to encourage people to go to the cinema on the day new films are traditionally released. Nor can they show films on Friday and Saturday nights at peak periods, which would also otherwise threaten to damage cinema audiences at their best times.

Each channel is also permitted to only show a certain number of films each week, totalling just over 100 each year. Sixty per cent of these films shown have to be European-produced, and 50 per cent French-speaking.

The television channels are obliged to invest some 15 per cent of their turnover in French-speaking fiction, documentaries and animation, and 3 per cent in film co-productions. Canal Plus, the pay TV service, is obliged to invest 20 per cent of its turnover in purchasing rights to films, of which nearly half must be French-speaking. From next year it will also be required to start investing directly in French TV and documentary production.

In addition, the government collects a special tax of 5.5 per cent of turnover from all the broadcasters, which is then redistributed to television production companies when their work is transmitted.

French broadcasters hava tried to keep a low profile during the Brussels debates. They acknowledge that there is a clear demand from European audiences for some European productions. On the other hand, the costs can be extremely high.

"If there were no obligations to support French industry, I'm not sure we would have spent so much on its films," says one broadcaster. "When you buy a US TV movie it costs about FFr300,000 [£35,000]. The rights for a French production are about FFr3m. It's the price you pay for fresh local production. Without quotas we would certainly buy some local films but not at the same levels."

Despite all the regulation, neither quality nor quantity is guaranteed.

French-produced television remains at least as variable in quality as that in other countries across the EU. With its staple of quiz programmes and soap operas, French television is beginning to resemble its equivalents alsewhare in all but language.

Scalfaro to hold new talks on Rome crisis

By Andrew Hill in Milan

President Oscar Luigi Scalfaro of Italy will today reopen talks on solving the country's political crisis when he meets the outgoing prime minister, Mr Silvio Berlusconi, in Rome.

Negotiations were suspended last week when Mr Scalfaro fell ill, but over the weekend he invited Mr Berlusconi's aides to set up a meeting for today. Talks with the main political parties will resume tomorrow, and political commentators are speculating that a solution to the crisis could be found this week.

The crisis was precipitated before Christmas when Mr Berlusconi resigned as prime minister after Mr Umberto Bossi, leader of the populist Northern League, withdrew his support for the right-wing coalition.

Resolution of the crisis could be complicated by a forthcoming decision of Italy's constitutional court.

It is widely expected to make an early ruling this week on whether to allow a referendum on electoral reform, which would transform Italy's partly proportional voting system into a simpler first-past-the-post system.

Constitutional experts believe it would be almost impossible to hold new elections in March – as demanded by Mr Berlusconi and his allies – if such a referendum was permitted.

Forza Italia, the movement formed by Mr Berlusconi a year ago, set up a committee to co-ordinate a forthcoming election campaign at the end of last week, in an indication of the prime minister's readiness to return to the polls.

But President Scalfaro is against new elections, and the hostility of opposition parties, including a majority of Northern League deputies, would make it difficult for him to meet Mr Berlusconi's alternative demand that he should continue as premier.

The opposition ex-communist Democratic Party of the Left (PDS) and the Popular party (former Christian Democrats) are also trying to find common ground for an electoral alliance, but they would prefer the formation of a new government under a different prime minister, possibly drawn from outside politics.

Red tape still rules in Russia

As Moscow goes to war with Chechnya, Chrystia Freeland wonders who is really in charge

As Russian soldiers in the snowy hills of Chechnya pursue their country's most serious military conflict since the Afghan war, for Moscow bureaucrats it has been business as usual.

Of course, in Russian translation, business as usual can have slightly odd implications. It has meant that Russian officialdom ground to a halt for two days last week to celebrate the new year and will take another two days off this week in honour of the orthodox Christmas.

On the days when government offices have been open, they have functioned with the bizarre combination of anarchy and red tapo which has characterised this country since the collapse of the Soviet Union.

Visitors to the Ministry of Finance, for example, after picking their way through the sawdust and scaffolding which blocks one of the entrances, are met by a uniformed guard who sternly asks for their passes. But when those passes cannot be found the guard genially (and quite rightly) assumes some secretary has forgotten to type them up, and allows the visitors in.

Inside the building, Mr Sergei Aleksashenko, deputy minister of finance, paints a contradictory portrait. He and civil servants like him, he says, fear a political shift to authoritarianism at the top – But, at the same time, today more than ever the devil is in the detail, in the decisions of thousands of individual government officials. Who controls them and their decisions is less clear than ever.

Official Russia's vacillation between authoritarianism and anarchy has been underscored by the Chechen crisis. When the army first moved in to subdue Chechnya on December 11 the Kremlin justified intervention as a necessary demonstration of the toughness of the Russian state and the willingness of its leaders to use muscle to ensure their nation's territorial integrity.

Instead, the crisis has exposed the weakness of President Boris Yeltsin's control over the military and deepened divisiona within the army itself. Mr Yeltsin has publicly criticised the military for disobeying his order to halt bombing raids. Prominent generals have openly criticised the decision to intervene in Chechnya.

Similar confusion has been apparent in other branches of government. On one hand, Mr Yeltsin's move on Friday to sack Mr Oleg Poptsov, the head of the state Russian television station, has been widely taken as evidence of the Kremlin's slide towards dictatorship.

But the manner of Mr Poptsov's dismissal bore more traces of cack-handedness than of an iron fist. The first official statement about Mr Poptsov, from Mr Victor Illiushin, a member of Mr Yeltin's new hardlina kitchen cabinet, insisted that "rumours" of the television boss's sacking were false. Five minutes later, Itar-Tass, the Russian news agency, said Mr Poptsov would be fired after all. Mr Poptsov says he is "99 per cent certain" that be has been dismissed but cannot be completely sure.

Other state employees also find themselves at the mercy of a president who is at once increasingly heavy-handed and increasingly out of touch with the finer points of government.

A conservative adviser in the Kremlin's inner circle said approvingly over the weekend that security forces were stronger now than they had been since the collapse of the Soviet Union. That view was backed by a leading Russian businessman who said that even Prime Minister Victor Chernomyrdin believad his telephones and offices were under surveillance. The prime minister, he said, had returned to the Soviet practice of holding important conversations during walks in parks.

But reformers like Mr Aleksashenko say that, despite the increasing strength of the conservative security structures, on a practical level much of the routine work of economic transformation continues. Regardless of the appointment of a conservative minister of privatisation, Mr Aleksashenko points to the fact that within the ministry itself "the whole, reform-minded staff is still in place."

"I can imagine a situation in which the army continues to wage this small war and at the same time the government will continue to implement aconomic reforms."

A Chechen fighter sprints across a street in central Grozny yesterday, as fighting round the capital continued AP

Rühe pledge on military contacts

By Michael Lindemann in Bonn

Mr Volker Rühe, Germany's defence minister, has pledged to try his best to maintain ties with the Russian armed forces, despite rising east-west tension over Chechnya and Moscow's cancellation of German-Russian military manoeuvres.

"At this precise moment it would be wrong to scale down contacts," Mr Rühe told the news magazine Der Spiegel in an interview published yesterday.

Chancellor Helmut Kohl, normally a strong supporter of Russian President Boris Yeltsin, bad on Saturday denounced the war in Chechnya as "complete madness". Yat Mr Rühe, who has often taken a sceptical attitude towards Russia, stressed the need to keep links with Moscow intact if possible.

The minister said an invitation to General Pavel Grachev, the Russian defence minister, to visit Germany soon was "still on the table". The German Defence Ministry said the trip was scheduled to take place in March.

The newspaper Welt am Sonntag said the first German-Russian exercises had been due to take place next month but were cancelled because the Russian units involved were being deployed elsewhere.

The Defence Ministry confirmed thet a bilateral exercise had been called off, but said it had never been expected to take place before the summer.

In another sign of tension between Bonn and Moscow, the Russian authorities refused to give visas to two German parliamentarians who were hoping to discuss Chechnya with counterparts and human rights groups in Moscow.

Mr Rühe said Russia had violated its obligations as a member of the Organisation for Security and Co-operation in Europe. These included the OSCE'a latest agreements, sealed at last montb's Budapest summit.

The Russians had failed to give notice of troop movements involving more than 9,000 soldiera within the required 72 hours. "A country that wants to live in a common European home must keep to the standards that have been set," Mr Rühe said.

"In a situation like this I am not in favour of breaking all links with Russia. What I am in favour of is saying quite clearly and openly what international agreements Russia is disregarding."

The joint German-Russian exercises, near St Petersburg, would have involved around 100 German troops who together with their Russian counterparts would have practised peacekeeping missions, according to the German Defence Ministry.

MTV faces challenge for Asian music market

By Alice Rawsthorn

MTV is not the sort of company that shies away from a fight. Its international network of satellite music channels is by far the most powerful medium in the music business, but its relationship with the music establishment has never been less than stormy.

The battle between MTV and the music industry ranges from everyday rows over remuneration to official complaints to the US Justice Department and European Commission. Last week it took a new turn when four of the world's largest entertainment groups joined forces with Star TV, Mr Rupert Murdoch's Asian satellite television venture, to take on MTV in Asia.

The new liaison between Star and the four groups – Time Warner, Sony, Thorn-EMI and Bertelsmann, all of whom now have equity stakes in Channel [V], the Star music service – represents the toughest challenge so far to MTV's position as the world's most inflnential music marketing medium.

The combination of the Murdoch media empire and the four groups control over 50 per cent of the $30bn (£19.2bn) worldwide music market.

Mr Bill Roedy, president of MTV Networks International, claims to be unconcerned. "We have competitors all over the world," he said. "There's no reason why this situation should be different."

MTV, a subsidiary of Viacom, the US entertainment group, has access to 250m homes in 63 countries. This means it has considerable clout in the music industry.

But MTV needs the entertainment groups as much as they need it: they supply the videos that are its main source of programming. The music groups occasionally extract concessions from MTV. But MTV usually holds the winning hand, as it can play off one company against the others, whereas they have no real alternative. MTV's rivals are specialist channels in the US, playing particular types of music, and national stations in Europe, such as France's MCM and Videomusic in Italy. These channels are not as well-funded as MTV and are less able to negotiate for exclusive interviews, first-run videos and live events.

The industry has stepped up its efforts to erode MTV's power. Time Warner, Sony, Thorn-EMI and PolyGram last year announced plans to invest in new video music channels in the US and Germany.

MTV successfully blocked the US launch by initiating a cartel investigation by the Justice Department. Viva, the German channel, has come on air. Mr Roedy claims it has had "no effect" on MTV's audience or advertising, but MTV has made a formal complaint to the European Commission about Viva's ownership.

The picture now looks very different in Asia. Sony, Warner, Bertelsmann and Thorn are investing in Channel [V], the Star music service which was launched last April after Star, which previously transmitted MTV Asia, fell out with MTV.

Channel [V] went on air the next day as all the MTV Asia staff, including the presenters, were contracted to Star, rather than to MTV. It now transmits two services – ona in Chinese, the other in English – to 220m Asian homes.

Meanwhile MTV has been trying to relaunch its Asian service. MTV India has been on air for 2½ hours a day since October. But the launch of MTV's two new pan-Asian 24-hour channels, scheduled for December 31, has been delayed until "some time in early 1995", according to Mr Roedy.

Meanwhila Mr Murdoch has been strengthening Channel [V]'s position. He had hoped to persuade Sony, Time Warner, Bertelsmann and Thorn to give it exclusive rights to their videos in Asia.

They refused, presumably because they were concerned about imperilling their relationship with MTV in other markets. But this week'a deal means that they are likely to give first-run videos and artist interviews to Channel [V].

Unlike the US and Europe, there is no pan-Asian regulatory body for MTV to appeal to. When the new MTV Asia comes on air MTV will, for the first time, face a rival of equal calibre. It will even be competing against its own old presenters. Mr Roedy has hired back some of his old prodnction team – but the video jockeys are staying at Channel [V].

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Madrid orders corruption probe

By Tom Burns in Madrid

Spain's beleaguered government has responded to a string of highly sensitive political scandals by ordering its own investigations into corruption allegations in the Interior Ministry, in an attempt to regain the political initiative.

According to a report leaked yesterday to the influential and generally pro-government Madrid newspaper El País, three senior officers of the paramilitary Guardia Civil corps are due to be indicted on charges of embezzlement, following an internal inquiry into housing contracts for members of the corps.

The El País report apparently substantiates claims by officials that the government is seeking to clean its own stables and thereby pre-empt opposition calls that Mr Felipe González, the prime minister, should call elections because it has been unable to prevent widespread corruption within the administration and especially within the security services.

An opinion poll published yesterday by El Mundo, a Madrid daily that has led media investigations into government scandals, 64 per cent of Spaniards believe the government was directly involved in a shadowy death squad that in the mid-1980s murdered 23 presumed Basque separatists in southwest France. A majority of those polled said they wanted Mr González to resign.

Fears that the corruption scandals would fuel political instability brought the peseta to a new low against the D-Mark at tha end of last week and prompted further market losses, despite the Bank of Spain's move on Thursday to raise its key money rate.

The interior ministry'a investigations are linked to a Guardia Civil corruption network that was allegedly put in place by the former head of the corps, Mr Luis Roldán, who fled Spain last May.

The government is threatened by two potentially explosive judicial investigations. One Madrid judge investigating the 1980s death squad has already remanded in custody three former senior security chiefs on charges of attempted murder, and another is examining evidence of alleged wide criminal misuse of secret funds by top interior ministry officials.

See Editorial Comment

US parties lock horns over budget

By Jurek Martin in Washington

Battle lines between the Republican majority in the US Congress and the Democratic party were drawn more sharply over the weekend on two imminent policy issues – the balanced budget constitutional amendment and a possible recommendation by President Bill Clinton this week to increase the federal minimum wage.

Congressman Dick Armey from Texas, new majority leader in the House, yesterday rebuffed Democratic challenges to state in advance how the federal budget could be balanced by the year 2002, as proposed in the amendment, before Congress begins considering it next week.

In a television interview he said "knees will buckle" in Congress if itemised spending cuts had to be outlined beforehand. On Friday, in comments instantly criticised by administration and congressional Democrats, he had said: "I am profoundly convinced that putting the details out would make that [passage] virtually impossible."

On the same programme, *Senator Tom Daschle of South* Dakota, the minority leader and previously a supporter of the balanced budget amendment, committed his party to laying out a detailed plan. He accused Republicans of trying to foist "a pig in a poke" on the country.

Vice-President Al Gore, in another TV interview, observed that the president could not veto the amendment if it passed Congress and was referred for ratification by three-quarters of the states. But he added: "Let's amend the amendment to spell out what it means" at least in generalised terms, if not in all the fine print.

Senator Trent Lott of Mississippi, the majority whip, took a softer line than the combative Mr Armey, thus underlining the differences of Republican approach between the more ideological House and mambers in the Senate.

He thought the budget could be balanced over seven years by "controlling the rate of growth" in federal spending and by incorporating a variety of savings already advocated by governors of the states.

He also noted in conciliatory vein that the two principal Republican budget chairmen – Senator Pete Domenici and Congressman John Kasich – would shortly be proposing spending reductions to finance proposed Republican tax cuts, another challenge thrown down by Mr Clinton that all tax cuts should be "paid for" so as not to increase the deficit.

Mr Lott was also far from sure that Mr Clinton would in the end propose this week a 50 cent increase in the minimum wage, currently $4.25 an hour.

Mr Robert Reich, the labour secretary, has openly recommended a 50 cent rise and some of the president's political advisers, if not his economic ones, have advised that a gesture to poorer working class Americans, traditionally a Democratic stronghold, is in order.

But Mr Armey dismissed a minimum wage increase as "unacceptable public policy" which would cost jobs and it is probably the case that Republicans would throw any proposal out should the president make it.

However, Congressman Richard Gephardt, the minority leader, took Mr Armey to task in what rapidly degenerated into a televised shouting match.

Mr Armey, notoriously short-tempered, cited a Texas university janitor who had lost his job because of the last increase in the minimum wage and Mr Gephardt shot back that he could name a thousand cases where lower paid Americans had held jobs and kept pace with inflation by having their base pay raised.

Mexico bank system hit by ratings downgrade

By Ted Bardacke in Mexico City

The health of the Mexican banking system came under severe questioning at the weekend as a leading international rating agency downgraded its ratings for some deposits of Mexican banks a full two grades.

Worries about the solvency of some banks were also blamed for turbulence in the currency markets and the weakening of the peso which occurred towards the end of trading on Friday.

Moody's Investors Service lowered its ratings for long-term foreign currency-denominated deposits of Mexican banks from Ba2 to B1. The agency also lowered its ratings for the Mexican government's domestic currency-denominated bonds (bondes) from Baa1 to Baa3 and for peso short-term obligations (cetes and tesobonos) from Prime-2 to Prime-3.

Moody's said that the 40 per cent devaluation of the Mexican peso over the past three weeks "will hurt the already problematic health of the Mexican banking system." The agency added that "not only will the devaluation accentuate pre-existing weaknesses – in particular, very poor asset quality and very poor reserve coverage – but it may also disrupt the structural adjustment processes that are necessary for the banks to be able to withstand deregulation and increasing competition."

The agency said that many banks may have to resort to a special central bank capital fund in order to meet their foreign currency obligations.

Traders and local press reports on Saturday said it appeared some foreign banks, worried about liquidity problems, were beginning to call in lines of credit extended to domestic banks. As domestic banks went into an already thin market to buy the dollars necessary to pay back the credit lines, the peso weakened to an historic low of 5.9 to the dollar before recovering slightly.

Foreign bank concerns about their dollar credit and loans extended to Mexican banks appear to be accentuated by the fact that many of these loans are backed by tesobonos owned by Mexican banks. Tesobonos are short-term peso-denominated instruments with a built-in exchange rate coverage mechanism. Questions about how the Mexican government will pay back these securities, more than \$29bn (£18.7bn) of which come due this year, have been a main investor concern since the peso's devaluation.

Mr Jose Garcia Cantera, banking analyst at New York brokerage house Salomon Brothers estimates between \$5bn and \$10bn in Tesobonos were used by Mexican banks as collateral to get dollar credit from foreign banks. "Mexican banks went into this crisis very weak," said Mr Garcia. "It's going to be very tough to get through it. The central bank is going to have to come up with rule changes and restructuring schemes for confidence to be restored."

See People page

INTERNATIONAL PRESS REVIEW

Watching for the Tequila hangover

SOUTH AMERICA

Brazil has become ao accustomed to being treated as a wayward relation by the international financial community that the sight of a crisis in Mexico, the favourite son, was bound to trigger a mood of schadenfreude.

The inflnential Brazilian weekly *Veja*, under the overworked headline "Tequila hangover", decided the crisis showed "the real Mexico is a poor country which was behaving as if it were rich. The Mexican middle class' party is over. The party for the workers, which never began, has been delayed once more".

After initial gloating, when several papers highlighted optimistic forecasts from stockbrokers that foreign capital would turn away from Mexico and towards Brazil, a mood of introspection has taken hold. Could it be, the media is asking, that Brazil's apparently successful Real currency, which has brought monthly inflation down, is beaded for the same slippery slope as the Mexican new peso?

Rio de Janeiro's *Jornal do Brasil* had a gloomy piece suggesting Brazil was indeed in danger of copying Mexico's mistakes. Mexico, the paper argued, relied on a US dollar link and an overvalued currency for too long. The paper warned that the Real, also informally linked to the dollar and widely agreed to be overvalued, could lead to a large trade deficit and an over-reliance on foreign capital.

Government denials failed to impress Mr António Delfim Netto, the former planning minister writing in the *Gazetta Mercantil* financial daily. Like many in the business community, Mr Delfim Netto criticises the exchange rate for damaging exports and development.

"We are without a fiscal anchor and without a monetary anchor. The only anchor on which the Real is hanging is this senseless exchange rate policy," he wrote.

Amid the gloom, the *Estado do Sao Paulo* did manage to find some good news: despite Mexico's problems, there was no danger of price rises for Brazil's annual imports of 240,000 bottles of tequila.

A headline in *Clarín*, the best-selling Argentine daily, asked: "How far can the Mexican wave go?" The Mexicans, it says, invented the wave which sweeps around sporting stadiums, and a similar effect has been seen in financial markets: "Mexico incites the interest and fear of global investors, for which all of Latin America pays the consequences."

For this not to occur, says business daily *Ambito Financiero*, Argentina must mount "Operation Differentiation", pointing out to international investors – who tend to think of Latin America as a homogeneous bloc – structural differences between Mexico and Argentina.

Brazil's President Cardoso tries to keep the economy afloat, as seen by a cartoonist for Gazetta Mercantil

Mr Domingo Cavallo, economy minister, has been doing just that, and will be in New York tomorrow to talk directly to bankers and investors. His pitch, says *Ambito*, should not centre on academic talks about economic models, but should stick to the concrete affirmation of Argentina's solvency and its ability to meet upcoming debt payments.

Earlier, rival business daily *El Cronista* reacted with disappointment to the economic rescue package announced by Mexico's president, Mr Ernesto Zedillo. "Mexico goes to the Devil and in falling drags down all regional markets."

Another *Cronista* article looked with nervousness at difficulties within Argentina's banking system: "The Mexican crisis, problems of Banco Extrader [suspended from trading] and rumours on delays in debt payment are posing questions about the solvency of the Argentine financial system."

Pagina/12, a left-wing daily, said Argentina bad followed closely on the heels of Mexico since the 1982 debt crisis. Referring to an article called Waltzing on the Titanic, it said that to pretend Argentina was different from Mexico was "like looking the other way while a neighbouring ship sinks in the engulfing storm."

For readers of Chile's quality daily, *El Mercurio*, the undisputed opinion maker among the elite, the Mexican crisis was mostly about the unresolved social and political problems represented by the rebel army of the Frente Zapatista in the southern state of Chiapas.

"El Peso Zapatista", which translates as "the Zapatista currency", was the headline on its first leader on the subject. Two-thirds of the space was given to discussing the Chiapas uprising, the rest to a brief description of the economic crisis, ending with a rap on the knuckles for the Mexican government for its "vacillations".

There is more malice in *Mercurio's* position than concern for Mexico's poor. A fervent supporter of the military dictatorship of General Augusto Pinochet, the paper's owner and editors had to stomach Mexican criticism of the Chilean regime's human rights violations and other undemocratic practices for 17 years. This was a chance to get its own back.

It said financing a balance of payments deficit with short-term borrowing is risky, and warned against excessive government spending.

As for the knock-on effects from Mexico, the paper concluded that the crisis would inevitably affect investment flows to the rest of the region but "fortunately, the Chilean economy is very strong and even the worst scenario should not affect it significantly".

Chileans have been worrying more about consequences of the Mexican crisis on Argentina. Fears of a drastic devaluation of the Argentine peso hit the share prices of Chilean electrical companies, heavily exposed in Buenos Aires. A *Mercurio* columnist advised Argentines to maintain the dollar-peso parity at all costs.

Chile faced a similar crisis in 1982, he reminded his readers, when it had a fixed exchange rate, and devalued, with disastrous effects on growth, employment, and inflation.

By Angus Foster in São Paulo, David Pilling in Buenos Aires and Imogen Mark in Santiago

Argentina extends credit

By David Pilling in Buenos Aires

Large Argentine banks are to extend credit lines to smaller institutions whose operating conditions have been severely affected by the fall-out from Mexico's financial crisis.

The measures, announced by the government over the weekend, are aimed at ensnring that liquidity problems, which have already contributed to the suspension from trading of one bank and one broker, do not spill over into a fully-fledged banking crisis.

"The central bank is acting in a preventative capacity to ensure that problems of liquidity do not become problems of solvency," said Mr Domingo Cavallo, Argentina's economy minister. Small Argentine institutions have been hit by the near-trebling of interbank rates – on some days to nearly 30 per cent – and by the fall in the price of bond holdings.

Under the scheme, rules governing reserve requirements of the five largest private banks – Francés, Galicia, Rio, Crédito Argentino and Citibank – will be relaxed. This will free up additional resources which will be on-lent to small banks that are facing "transitory" liquidity problems. The government has stressed that the measures are not intended to bail out insolvent institutions.

Argentina has been the Latin American market most battered by Mexican shockwaves.

Beijing plans to expand forex trading

By a correspondent in Beijing

China yesterday announced plans to broaden its fledgling market-style financial system by expanding foreign exchange trading and allowing foreign joint venture banks into the capital Beijing for the first time.

Anticipating a tightening in foreign currency reserves this year, the Shanghai-based China Foreign Exchange Trading Centre and its rate-setting system will increase the number of currencies traded and start forward transactions on a trial basis, an official of the State Administration of Exchange Control said in a report in the official Business Weekly newspaper.

The centre, which opened last April as China's interbank foreign exchange market and is linked via computer to 23 cities, is also considering a proposal for computerised remote trading, the official said. Currently, only US dollars and Hong Kong dollars are traded in spot cash transactions. More than US$38.5bn and HK$18.35bn have been traded in the market to date.

The measures are intended to "ensure a smooth transition to make the renminbi freely convertible".

However, to date, China has only made vague pledges to make its renminbi yuan currency convertible by 2000, and in the near-term intends to keep the unit under tight controls as a bulwark against the inflation, the official said.

In recent months, stsps toward establishing market-style institutions have been retarded by soaring inflation and fears of unrest. Last week, the official People's Daily newspaper warned that a 24.2 per cent rise in retail prices and 21.7 per cent jump in the consumer price index in 1994 threatened social and economic development.

However, China has been under pressure from the US and other western countries to free its currency and its banking sector as Beijing negotiates to enter the new World Trade Organisation this year.

In a move toward further opening the yuan market to foreign banks, the government also announced yesterday that several overseas joint-venture banks would be allowed into Beijing soon. Some foreign banks have joint ventures in Shenzhen, Shanghai, Gnangzhou and other coastal cities. But they have been blocked from opening branches in the capital and conducting transactions in yuan.

A dozen banks will be chosen from a list of 50 institutions from the US, Japan, Germany and Hong Kong, the China Economic Times said. The official newspaper did not spell out criteria for choosing the candidates, although it named the Chinese partners as the Bank of China, the industrial and Commercial Bank of China and the People's Construction Bank of China.

HK property wakes up with a hangover

The market is suffering from normality after last year's euphoria, writes **Simon Holberton**

Business cannot get much worse for Mr Rocky Wong, 32, an assistant branch manager for Centaline, a Hong Kong estate agent. In his five-year career Mr Wong has seen nothing quite like the current malaise in the territory's residential property market.

"The market is very bad," he says. "There are just no transactions."

Mr Wong plies his trade in the Yuen Long district of tha colony's New Territories. This is the heartland of middle Hong Kong, where foreigners hardly venture, English is rarely spoken and most people feel disconnected from the economic and political forces which shape their lives.

He has the unenviable task of marketing Bauhinia Garden, a 73-apartment development at Hung Shui Kiu. Work is nearly finished and the developer, Luk Hoi Tong, has 38 flats ready for pre-sale. The flats, which range in size from 618 sq ft to 1,500 sq ft, are attractively designed in the western style. They feature bay windows and a pediment on the top of each six storey block.

The flats were selling for an average of HK$2,454 ($317) a sq ft, until Hong Kong's leading property developers announced price cuts late last week of between 10 and 23 per cent. Now Mr Wong thinks Luk Hoi Tong will be lucky to sell 20 units of the whole development until the market finds its level.

Sitting at a desk strewn with paper, waiting for customers on a Saturday afternoon, he says: "People will wait to see if prices fall again."

Analysts with much longer experience in the market concur with Mr Wong's assessment. Mr David Faulkner, partner responsible for research at property consultant Brooke Hillier Parker, says: "Across the board the outlook is fairly bleak."

Even Hong Kong's normally publicity-shy property company chiefs are voicing concern about the market. Mr Cheng Yn-tung, chairman of New World Development, one of Hong Kong's biggest housebuilders, endorsed the view of Mr David Li, a prominent banker, when he called on the government to relax restrictions on bank mortgage lending. These rules limit banks lending to more than 70 per cent of a flat's value.

Mr Cheng said: "Considering the weak market at present, 80 per cent is probably a more reasonable lending rate than 70."

The government is unlikely to heed this call. Such a move would be seen as heralding the end to official intervention to cool the market, and the government believes the market has further to go before that signal can be given.

Officials point out that the house price falls seen so far simply reverse the speculative blow-out of the first quarter of 1994 when prices rose by more than 30 per cent. Moreover – as Mr Tony Eason, secretary for planning, environment and lands, notes – the market could accommodate comfortably another 10 per cent fall in prices.

"We should not panic about a return to normality," Mr Eason said. "If they do [drop by 10 per cent] they will still be relatively comparable with 1993 prices, and they will still be out of the reach of many potential purchasers."

Indeed it was the clamour about high prices, which started in 1993 and grew to fever pitch last spring, that prompted the government to tighten up procedures for the pre-sale of flats and to make more land available for development. This, together with a change in the interest rate outlook, led to an almost immediate cessation of speculative trading in soon-to-be-completed flats and the beginning of the fall in prices.

The change in economic conditions has also led to failure at recent land auctions and more disappointments may be in the offing. In the next three months 12 auctions are scheduled, three of which will be for residential development, and in current market conditions it is unclear how enthusiastic property companies will be.

With further interest rate rises expected, potential home buyers may prefer to wait until the outlook becomes clearer. "People were prepared to stretch themselves when prices were rising. Now that they are not they are more cautious," says Mr Faulkner.

The malaise in the residential market is mirrored in the commercial property market. The rent cycle has turned down – although it may take a year or more before the current weakness shows up in company profits – and there are indications that capital values have also fallen.

They has not been a big commercial property sold in Hong Kong for nine months. But there have been a number of sales of floors of large buildings that were broken up into strata titles. This was a highly speculative market a year ago and analysts are chary of reading too much into isolated transactions. However, one which occurred last week raise some concerns about capital values.

This was for a floor of 9 Queen's Road in the prime central district of Hong Kong island. National Electronics, a watch manufacturer, sold the floor for HK$13,349 per sq ft, some 36 per cent below the peak price level of HK$21,000 a sq ft achieved in April last year. The price was, however, 50 per cent up on the HK$8,878 sq ft the company paid for it in June 1993.

As yet few have raised any serious concerns about Hong Kong's leading property companies. When full-year 1994 earnings are reported this spring, analysts expect them to be well up on those of 1993. What concerns them more is the outlook for 1995 and 1996.

According to Morgan Stanley the gearing of property companies – their debt as e percentage of equity – remained relatively stabla last year at around 20 per cent. This was in spite of a 51 per cent rise in borrowings to HK$97.9bn of the 13 companies surveyed.

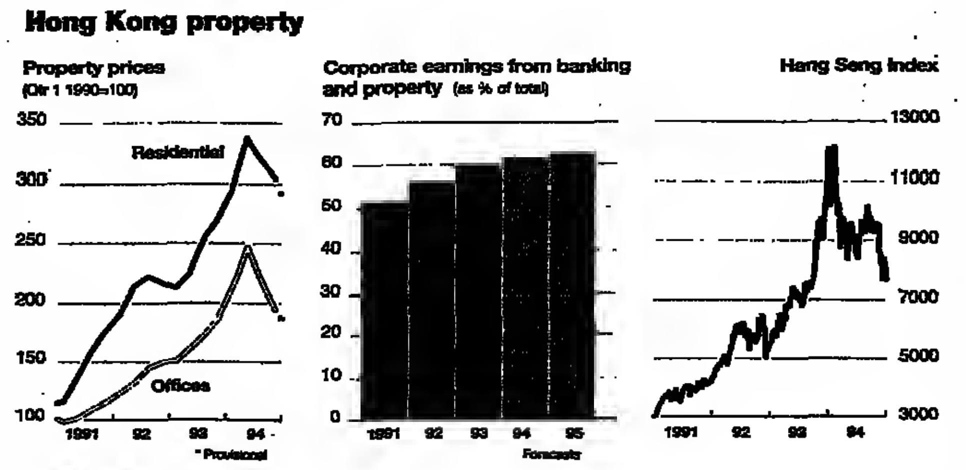
Gearing remainad unchanged because the companies' total equity rose 58 per cent. However, the main reason for the rise in equity was the revaluation of property. If companies have to revalue their properties downward in 1995 and 1996, as seems likely, then gearing will rise.

Moreover, the extra HK$33bn of debt which the property companies took on to their balance sheets last year is expected to lift their interest burden from HK$5.2bn to HK$9.1bn. If interest rates rise further, so too will the interest burden.

Morgan Stanley conclndes relatively optimistically that "this is hardly likely to threaten earnings, but it will dull margins". However, Mr Faulkner halieves that net asset values for property companies will come down and gearing will therefore rise.

So far the slide in property values has been orderly. But in the absence of any good news, the risks are all on the downside.

Hong Kong property



Sources: Brooke Hillier Parker Research, SG Warburg, FT Graphite

Sri Lanka peace remains fragile

By Mervyn de Silva in Colombo

Pope John Paul's brief visit to Buddhist Sri Lanka later this month could help President Chandrika Kumaratunga convert the "cessation of hostilities" that began yesterday into a formal ceasefire in Sri Lanka's 11-year war against the secessionist Tamil Tigers (LTTE). But she can do so only if she agrees to further LTTE demands and ignores the army's advice.

After consulting the army high command she agreed to safe passage for up to 15,000 Christian families of the northern peninsula, the Tamil homeland and LTTE bastion, to visit the capital Colombo to see the Pope on January 21. The army has agreed to supervise two routes but the LTTE insists on access to the mainland through Pooneryn, a heavily fortified camp which was attacked by several hundred Tigers two years ago.

Since that incident, in which the army suffered 300 casualties, Pooneeryn has been converted into a vast fortress, with a large defence perimeter. It is also heavily mined. The LTTE had been sending scouts, many of whom died in landmine explosions or were shot dead by troops.

Mrs Kumaratunga is on a "hearts-and-minds" campaign, treating the LTTE as the *de facto* representative of the northern Tamils. But the devolution or autonomy she can offer cannot go further than what the majority Sinhalese regard as fair, otherwise she will face a backlash.

With the cessation of hostilities, Mrs Kumaratunga has made the island's minorities happy – the Tamils, the Tamil-speaking Moslems, the Indian Tamil plantation workers, and now with the Pope's visit, the Christian 8 per cent of the island's 17m people. Traditionally the Christian community, particularly the Catholics, voted for the conservative United National party.

The difference between the 50 per cent vote of the People's Alliance which Ms Kumaratunga led at the parliamentary polls in mid-August and the unparalleled 63 per cent she collected in November as the alliance's presidential candidate is explained by this sharp swing of the island's racial-religious "block votes". Her slogan was "peace in our time". Now she must deliver. The LTTE knows that. It has imposed its will on the Tamil community to become what it describes as "the sole legitimate spokesman" of the Tamils.

Mrs Kumaratunga is also seeking to win over the Tamil community by offering a SLRs39bn ($785m) programme for the reconstruction of war-ravaged Jaffna. Some of the funds needed will come from privatisation.

Police make an arrest in Jerusalem at the weekend during a right-wing protest over attacks by Palestinian militants AP

Election allegations trouble Rabin

By Eric Silver in Jerusalem

Less than two years before Israeli elections are due, Mr Yitzhak Rabin, the 72-year-old prime minister, is battling for the credibility of his leadership, his government and his peace negotiations with the Palestinians.

Weekend allegations of collusion between his Labour party and the Palestine Liberation Organisation before Israel's 1992 parliamentary elections have added to his woes. He had already fallen behind his right-wing Likud rival, Mr Binyamin Netanyahu, in the opinion polls, was fighting indiscipline in his parliamentary ranks and was getting an increasingly critical press.

"He is very, very tired," the columnist Mr Yoel Marcus wrote in the liberal daily Ha'aretz. "He is not in control."

The collusion charges appeared in the memoirs of Mr Mahmoud Abbas (also known as Abu Mazen), who led the PLO team in the secret Oslo negotiations that produced the 1993 breakthrough. He reported in the book, The Road to Oslo, that a prominent West Bank businessman, Mr Said Kanaan, had a series of meetings with Mr Ephraim Sneh, now health minister, before the elections.

Mr Sneh was said to have asked the PLO to refrain from endorsing Labour, which would have alienated Israeli voters, and urged the PLO not to wreck the then Washington negotiations, which would have played into the Likud government's hands, or to press such sensitive issues as the status of Jerusalem or final frontiers. Mr Sneh was alleged to have advised the PLO to demand a freeze on Jewish settlement, thus putting Likud on the spot.

Both Mr Kanaan and Mr Sneh have vigorously denied the Abu Mazen account. They said on Saturday that one meeting did take place, but that there was no attempt to co-ordinate election strategy.

None the less, Mr Netanyahu is making the most of Abu Mazen's gift. "If true," the Likud leader thundered, "this is the worst outrage of its kind in the history of the state, involving not only the fixing of an election campaign, but doing so in collusion with the enemy." Unless corroborative evidence is produced, Mr Rabin will probably face down the immediate crisis. But his other troubles will not fade so quickly.

A poll in the pro-Labour daily Davar on Friday suggested that if elections were held now Likud would win 42 seats in the 120-member Knesset, 10 more than it won in 1992, and that Labour would slump from 44 to 36. In direct elections for prime minister, Mr Netanyahn would defeat Mr Rabin by 51 to 42 per cent.

INTERNATIONAL NEWS DIGEST

Russia to finish Iran N-plant

Russia has agreed to complete work on a nuclear power plant on Iran's Gulf coast in a deal worth $800m, according to Mr Kazem Khabir, the plant's acting director. Two German companies began work on the Bushehr plant in 1974, before Ayatollah Ruhollah Khomeini's Islamic revolution. The project was later halted and the plant was heavily damaged by bombing raids during the 1980-88 Iran-Iraq war.

"The Iranian side entered into an accord with Russia worth $800m to complete the project and Moscow agreed to complete the first unit of the nuclear power plant within four years," Mr Khabir said in remarks carried by Iran television. Mr Viktor Mikhailov, Russia's nuclear energy minister who arrived in Iran on Thursday, earlier told Tehran newspapers that a deal to finish the plant's first unit would be signed soon.

Mr Khabir said: "Ninety per cent of the construction work and 60 per cent of the equipment and machinery installation at the plant's first unit, with a capacity of 1,300MW, were completed by the German contractor." He also said the Germans completed 50 per cent of the construction work on the plant's second unit. Mr William Perry, US defence secretary, on a visit to Jerusalem, yesterday said Washington was "very much concerned about the potential that Iran might become a nuclear power". *Reuter, Nicosia*

Germany exceeds forecasts

One of the German government's top economic advisers adjusted his forecast for the economic outlook upwards yesterday, saying western Germany could expect gross domestic product growth of up to 3 per cent this year. Mr Herbert Hax, head of a panel of five independent economic advisers dubbed the "Five Wise Men", said the recovery had exceeded expectations when the panel last reported in November. "The developments in the last three months indicate that the prospects are even better now than they were in the autumn," Mr Hax told the Express newspaper.

The panel had forecast in November that pan-German GDP would grow by 3 per cent in 1994 and at the same rate in 1995. That meant GDP would rise by 2.5 per cent in western Germany and by around 9.5 per cent in the five eastern *Länder* (states). Mr Hax's revised forecast is in line with projections made by the Munich-based Ifo economic institute which last week predicted that German GDP would grow by an average 3 per cent over the next five years. However, the DIW economic think-tank in Berlin said the economy would expand by only 2 per cent this year, down from 3 per cent last year. *Michael Lindemann, Bonn*

Party treasurer speaks out

The treasurer of France's Republican party, placed under investigation on Friday by magistrates in connection with politically linked corruption allegations, said at the weekend that at least two other government ministers were aware of the way in which his party was funded. Mr Jean-Pierre Thomas, treasurer of the party which is part of France's ruling centre-right coalition, said on television that Mr François Léotard, defence minister, and Mr Alain Madelin, enterprise minister, were fully informed about party financing.

Mr Thomas, the deputy for Vosges, said he would not be made scapegoat for an investigation into Republican party funding when he worked under the authority and leadership of tha leaders of the party. Mr Gérard Longuet, former industry minister, was forced to resign last year after he was placed under examination in connection with the same political party funding probe. Mr Thomas, who was placed under examination by Parisian judge Mireille Filippini, is being investigated on suspicion of falsifying invoices, fraud and being accomplice to fraud. The Republican party is the party of Mr Valéry Giscard d'Estaing's Union for French Democracy, which governs the country in coalition with the Gaullist RPR party. *Andrew Jack, Paris*

Bosnian peace talks warning

A Bosnian Croat leader yesterday warned that fighting would resume unless peace talks were under way before a four-month truce expires in May. Mr Kresimir Zubak, president of Bosnia's Moslem-Croat federation, said: "Unless political talks on a final peaceful settlement in Bosnia begin by May 1 we shall start fresh liberating activities." He also accused his Moslem counterparts of undermining their federation with the Croats, which was brokered last spring to end nearly one year of fighting.

General Sir Michael Rose, UN commander in Bosnia, yesterday met General Ratko Mladic, Bosnian Serb commander, in an effort to remove obstacles to implementing the ambitious four-month cessation of hostilities agreement. But Gen Mladic said Serbs needed "black and white" proof that Moslem troops had withdrawn from demilitarised heights near Sarajevo before they open access routes to the besieged capital. *Laura Silber, Belgrade*

Kurdish hopes founder on warlords' rivalry

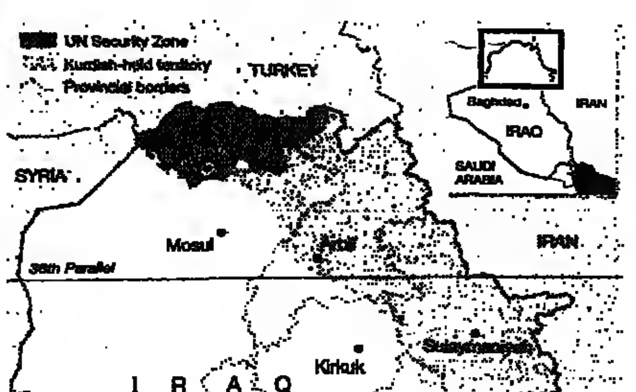
The anti-Saddam forces are handicapped, writes **John Barham,** recently in Arbil, northern Iraq

Fighting between rival Kurdish factions in northern Iraq over the last two weeks has left about 500 dead. It has also severely damaged US and UK efforts to nurture a regional administration for the territory wrested from Iraqi President Saddam Hussein four years ago.

Communications with northern Iraq are poor and accounts of the fighting contradictory. However, it seems clashes between the armies of the two main Kurdish warlords, Mr Massoud Barzani and Mr Jalal Talabani, have been concentrated in Arbil, the regional capital

It now appears that fighting is easing, following mediation by the Iraqi National Congress (INC), an anti-Saddam alliance based in northern Iraq. Guerrillas, called *peshmerga* (first to death in Kurdish), are reported to be withdrawing from Arbil.

Mr Barzani and Mr Talabani have been competing for control of mainly Kurdish northern Iraq since their guerrillas, together with western troops, drove Mr Saddam's forces out of the area at the end of the Gulf war.



Diplomats and Kurds say fighting broke out after Mr Barzani and Mr Talabani failed to agree on sharing out tax and customs revenues. These have increased substantially since Turkey reopened its border with Iraq in September and started importing diesel oil in large quantities. Mr Barzani's KDP party, with about 15,000 *peshmerga* under arms, controls the main border crossing into Turkey. The KDP is levying about $100,000 a day in customs revenues.

The conflict is a tragedy for the region's 4m war-weary people and an embarrassment for the US and UK. They, together with France and Turkey, provide the Kurds with aid and enforce the United Nations' no-fly zone above the 36th parallel, a vital defence against Mr Saddam's forces.

US and UK attempts to foster a semblance of government in the area have repeatedly foundered on mistrust between the two leaders.

The ramshackle city of Arbil has many of the accoutrements of real government, including an imposing parliament building. But real authority resides in the palaces built for Mr Saddam's lieutenants, since remodelled as luxurious bunkers for Mr Barzani and Mr Talabani.

Fighting last summer left about 2,000 dead and another 6,000 wounded in battles over territory. Hopes rose in November that a lasting peace could be achieved after leaders signed a truce, their eighth in four years. Mr Barzani and Mr Talabani agreed to create a new coalition government. But they continued to treat the other as enemies, never showing any intention of surrendering real power. Peace was inevitably short-lived.

The prospects that INC mediation will end the fighting seem little better now than three months ago. Until the two sides are reconciled or a clear winner emerges, skirmishes are likely to continne. The risk exists that these clashes could widen into civil war. The failure to establish a stable administration in the Kurdish enclave is a serious setback for the INC, which is also supported by the US and UK. It aims to establish a democratic, multi-party federal government in Baghdad after Mr Saddam is overthrown.

Tha British and American anti-Saddam policy received a further blow last week when France announced it was opening a special interests section at the Romanian embassy in Baghdad. Mr Alain Juppé, French foreign minister, even invited Mr Tariq Aziz, Iraqi deputy prime minister, to Paris for the formal announcement.

Turkey is also seeking rapprochement with Baghdad and supports an end to UN sanctions. Iraq was Turkey's main trading partner before the Gulf war. Turkish officials claim sanctions have cost Turkey $20bn since then.

Kurdish leaders insist sanctions remain in place. They claim Mr Saddam's regime is in its death throes. They fear relaxing international pressure could give him a new lease on life. However, their own rivalries are interfering with international efforts to reverse the effects of Mr Saddam's 20-year war on the Kurds. He destroyed nearly all the Kurds' 5,000 villages and uprooted and massacred populations.

More than 80 official and non-governmental aid organisations are working on reconstruction projects. Yet even when they are not fighting each other, Kurdish factions try to grab as much foreign aid as possible for themselves.

Crime is rife in Arbil, where Kalashnikov rifles cost only $30. Unemployment is at 75 per cent. Mr Ali Ahmed, a trader and father of three children, said: "There is not enough to live on. Now it is worse than six months ago. Lack of security and crime have brought business to a standstill."

Normal life will only begin the day their leaders set their rivalries aside. That day looks as far away as ever. But peace, it seems, can only come when one side emerges as undisputed victor and imposes a just peace or there is a new regime in Baghdad with sufficient anthority to bring effectivs government.

City may benefit from EMU, survey finds

By David Marsh
European Editor

A small majority of London-based financial institutions believes that European economic and monetary union (EMU) would increase business opportunities for the City of London, even though the UK is unlikely to take part.

An opinion poll published today also indicates that 54 per cent of City banks and finance houses believe Emu will be delayed as the result of the European Union enlargement that took place on January 1.

A total of 250 management representatives from 248 London-based institutions took part in the survey, with two institutions providing answers from two representatives. The overwhelming majority – 89 per cent – forecast that monetary union would take place in a two-speed process with a smaller group of countries going ahead first.

Only 36 per cent of those questioned in the poll said Britain should be in the first group of countries going ahead with EMU. 57 per cent thought monetary union for all EU members would take place by 2010, but 25 per cent thought it would never take place.

According to the poll, carried out by Harris Research for OMLX, the London Securities and Derivatives Exchange, 38 per cent of respondents said EMU would increase business opportunities for the City. A share of 32 per cent said Emu would reduce opportunities, while 25 per cent said it would have no effect.

The relative optimism about the business impact on the City counters the generally-held view that economic and monetary union without Britain's participation would damage the City's prospects.

Most respondents expecting that EMU would add to London's opportunities took this view because the City contains Europe's greatest financial expertise. Another reason was the relatively low knowledge of specialised financial products outside the UK.

Most institutions surveyed were UK-owned (142), with 44 from the rest of Europe, 22 from Japan and 15 from North America. Respondents from UK-owned institutions were more optimistic than those from the rest of Europe that EMU would improve the City's business opportunities. While 44 per cent of respondents from UK-owned institutions believed Emu would aid the City's opportunities, 27 per cent of those from non-UK European institutions took this view.

Mr Tony Blair, Leader of Britain's opposition Labour party, is being urged by two senior party colleagues to offer a referendum on sterling's participation in a single European currency if he wins the next general election.

In a research paper published today by a leading Labour think-tank, two of the party's politicians call on Mr Blair to immediately commit himself to a referendum on European Monetary Union before the final decision is taken to lock sterling into a single currency.

The authors of the paper, published by the Institute for Public Policy Research, are Mr Alan Donnelly, a member of the European parliament and Mr David Ward, a former adviser to Mr John Smith, the late Labour leader. They say the electorate will not have an opportunity to vote on Emu at an election because none of the main political parties is unequivocally opposed to a single currency.

"The only way to make Europe less threatening and more popular to the people of Britain is to give them the clear opportunity to choose," they argue.

UK NEWS DIGEST

Labour pledges improvement of banks' services

Mr Gordon Brown, the shadow chancellor, warned Britain's banks yesterday that a Labour government would overhaul the retail banking system to improve customer services. The warning comes as the banks prepare to announce 1994 earnings, expected to prove the most profitable in recent memory.

Mr Brown pledged that Labour would introduce a range of reforms – including a new banking regulator – to ensure that consumers received "a better deal and a better service."

Rising bank charges and apparent insensitivity towards the needs of small businesses and individual customers during the recession have aroused hostility towards the high street banks which the Labour party hopes to exploit in its bid to win the next election.

TSB, will kick off the bank reporting season this Thursday, with expected profits of £490m-£500m, up from £301m the previous year. Of the UK's four leading clearing banks, analysts forecast National Westminster to announce profits of about £1.5bn, up from £989m in 1993, while Barclays is expected to announce profits of around £1.8bn, up from £664m.

Lloyds Bank is likely to have 1994 pre-tax profits of around £1.20bn, up from £1.031bn in 1993, while HSBC Holdings, parent company of Midland Bank, is expected to show pre-tax profits of around £2.9bn, up from £2.584bn.

Lloyd's agencies 'halved'

The number of agencies running insurance syndicates at Lloyd's of London or handling the affairs of its members has fallen by more than 50 per cent in the past five years, according to figures compiled by the insurance market. The steep fall in members' and managing agencies highlights the consolidation that has taken place at Lloyd's in recent years – largely as a result of big losses in the late 1980s and early 1990s.

By encouraging corporate investors into the insurance market Lloyd's has reduced the role of members' agencies which handle the affairs of Names, individuals whose assets have traditionally supported the insurance market.

Many agencies have, however, been forced into liquidation and face substantial legal claims for damages.

New wage inflation fears

Fresh indications that the recent strong economic growth is fuelling wage inflation emerged yesterday in an employment survey. The data, from Income Data Services, showed that many settlements concluded in January were running well ahead of the inflation rate.

With January typically considered to be one of the most important months for private-sector wage settlements, the data are likely to fuel fears that labour costs may accelerate next year, adding to inflationary pressures.

Although the annual growth in unit labour costs has been extremely low in recent months, both official figures and those from the Confederation of British Industry's pay databank have suggested that wages are nudging up.

Defence ministry backs hunting

Britain's Ministry of Defence last night defended its decision to allow Army and Naval officers to go fox hunting while on duty. Defence Secretary Malcolm Rifkind will be asked by Labour this week to justify the time and money spent on the sport.

But a ministry spokesman said men were allowed to go hunting at the discretion of their commanding officers and as long as it did not interfere with their duties. He said riding improved their skills as cavalry officers and it was natural that Army horses should be used as the Army benefited.

"The costs – salaries and upkeep of horses – have to be paid for anyway. The sport is perfectly legal and all other costs have to be met by the personnel," said the spokesman.

Tourism effort for troublespot

Efforts are being made to sell the "bandit country" of south Armagh in Northern Ireland as a tourist haven.

A tourism officer is being sought to change the image of the border region where, until the IRA ceasefire in September, police and troops were frequently killed by bombers and gunmen.

But so far there has been little interset in taking up the task and the local council has been forced to readvertise the three-year post after only one of those short-listed for interview bothered to turn up after an initial advertising campaign.

"The development of rural tourism is a potent vehicle for local development, economic recovery, social progress and conservation of the rural heritage," said a spokesman for the Northern Ireland Tourist Board.

Sunday law goes to the dogs

A greyhound named If You Wish ran into the record books at a country racetrack early yesterday when it won the Midnight Hour Stakes at Mildenhall greyhound track in Suffolk to give British dog bettors their first legal Sunday winnings for 200 years.

Course owners had decided to take advantage of new legislation replacing the Sunday Observance Act of 1780 by stretching its Saturday night card to end just after midnight. Race meetings took place later yesterday at seven other tracks.

The new laws, part of the Government's Deregulation and Contracting Out Act 1994, also allow for betting offices to be open on Sundays.

Farm minister under fire

By James Blitz

Mr William Waldegrave, Britain's Agriculture minister, yesterday defended himself against claims that calves from his farm in Somerset are despatched to Europe and raised in the "veal-crate" system banned in the UK.

Amid continuing protests by British animal rights groups, Mr Waldegrave, who owns a 1,000-acre dairy farm, said he disliked the European practice of containing calves in crates but said that he and other farmers had little control over the practice.

Animal rights protesters have argued that, under the crating system, calves are treated badly, spending their lives in cramped conditions. They claimed at the weekend that Mr Waldegrave showed little understanding of the system and should resign.

In a series of interviews for the press and television, Mr Waldegrave, who resigned as a director of the family dairy farm when he took up his ministerial job, said he had no control over who purchased bull calves from his farm once they were sent to livestock markets.

"I believe it is probably possible to produce veal in a humane way. I don't like veal crates – for the same reason the government abolished them here," he said. "Most dairy farmers, like me, don't like the way veal animals are inhumanely treated, but there is unfortunately little they can do about it."

Art thefts raise premiums

By Richard Donkin

Increasing numbers of art thefts are forcing up insurance rates and creating growing security problems for important British and European collections, a leading art underwriter warned yesterday.

Mr David Scully, underwriting manager at Nordstern Art Insurance, the international art insurer, said country house collections had begun to attract professional criminals connected to international drugs rings and crime syndicates.

While the overall insurance market had softened, he said, the rates for collections of old masters were likely to increase because of the thefts. "This has got to put up rates because more is being paid out in claims than is coming in in premiums," he said.

He was speaking after police investigating the theft on Friday of Titian's 'Rest on the Flight into Egypt', and two other paintings from Longleat House, home of the Marquess of Bath, confirmed yesterday their belief that the work could have been stolen to order.

The Titian theft is the latest in a series of similar burglaries in British country houses and museums.

Figures from the Museum and Galleries Commission show a sharp increase over the past six months in thefts from collections open to the public. The commission reported more than 40 cases compared with an average of 60 s year.

British Airways warns on plan for Heathrow airport

By Neil Buckley

Failure to build a fifth terminal at London's Heathrow airport would "fundamentally damage" the future prospects of British Airways, stop 4,000 new jobs being created, and lead to Heathrow's long-term decline, the airline says.

British Airways will today submit a 26-page report to the inspector leading the public inquiry – due to begin in May – into the application by the privatised airports authority BAA to build Heathrow's £900m terminal five. It warns that without it, there will be insufficient capacity at London's airports to meet demand.

That would damage BA's future, mean passengers were less well served, and lead to Heathrow's decline in importance relative to continental European airports such as Paris and Amsterdam.

Objectors argue that Heathrow, which handles 51m passengers a year, cannot grow without inflicting serious damage on surrounding communities. A fifth terminal would increase capacity to 80m.

But BA's report rejects four "fall-back" options to deal with increased demand if terminal five were not built:

- Redeveloping part of the existing airport at Heathrow as extra terminal space is impossible as land is not available.
- Gatwick could not be expanded as its single runway has few slots remaining for additional services.
- Stansted also has only one runway, and is more remote from the main south-east England travel market.
- A regional airport could not be expanded as passengers from the south-east would be unwilling to use it.

The remaining option for BA, the airline says, would be to make the best use of a "capacity-capped" Heathrow and seek to grow through developing another European hub.

MANAGEMENT

Sarah Hegarty and **Tim Dickson** on how outward bound training has a distinctly mixed reputation

Rise and fall of corporate thrills

For Jeanette, a manager with a communications company, it was one of the worst experiences of her career: a team-building day with her colleagues in the Essex countryside.

"My first reaction was to panic – how can I get out of this?" she says. She couldn't. "We had to chop logs, climb trees and cross rivers. Afterwards, I felt exhausted and bruised – but I didn't feel any great sense of achievement."

Jeanette does not want to repeat her outdoor management training experience. But she may not have to. Figures published last year by the UK's Industrial Society show that outdoor training is not being widely used: only 6 per cent of 976 corporate respondents to a survey said they were using such courses extensively, and a further 32 per cent said they used them occasionally.

The survey concluded: "Forecasts for the future are not very different, although 36 per cent think that they will make occasional use of it."

"Outdoor training is in a dip, rather than having fallen from fashion," says Gilbert Massara, management adviser with the IS. "Its popularity is down due to financial considerations."

He adds that it may also have an image problem, often being linked with yuppie-type leisure activities such as paintballing and go-karting. "We're not talking about paintballing – there is no management development in activities like that," he says.

Sceptics, however, find the claims for all types of outdoor training – the idea that getting cold and wet in a field might enhance managerial performance – bard to swallow. "All the evidence that has evaluated outdoor training suggests that anything you do in a team is probably beneficial if handled sensitively," says George Sik of the occupational psychology specialists Saville and Holdsworth.

"But it makes more sense to give people tasks to do which at least appear to relate to what they do in real life." Unless you are joining a mountain rescue team, be adds, you are unlikely to need a wide range of outdoor skills.

Bnt advocates of the outdoor experience maintain that it's not just mindless activity, and that the lessons translate back to the workplace.

At Brathay Development Training in the Lake District, training consultant Phil Holdsworth says any outdoor activity is linked to clearly-defined objectives, set with the client. One might be to improve communications so that the company meets deadlines more quickly. "So before we begin the exercise they have a means of evaluating it," he says.

He adds that, at Brathay, outdoor exercises are combined with indoor problem-solving tasks, using creative skills such as screen printing, so that all the group members can find a role.

Outdoor training has many advocates. Allied Dunbar, the insurance company, has been sending teams of managers and supervisors to the wilds of Dartmoor for the past 10 years.

Ian Hughes, training and development consultant, is convinced of the benefits: "During the week's programme we try to draw out basic management processes; people formulate this and can bring it back to the workplace. For example, they might have rehearsed a project management process and worked on it and perfected it."

Outdoor courses also provide the physical dimensions to replicate real work problems, according to Tim Glass, group career planning manager at retailer W.H. Smith.

He cites the example of a case study involving a manufacturing plant, distribntion centres and retail outlets, wbere using the outdoors underlined the geographical separation – and problems – sometimes overlooked at work.

W.H. Smitb includes an outdoor element in its training for gradnates, and junior and senior management. A course for the lower level of senior managers might involve sailing for people who have not sailed before, or being taught how to cycle in a velodrome.

"It's a test of courage as well as skills," says Glass. "The point is to introduce people to new experiences, to broaden their minds – under proper, safe instruction – and get them to achieve new things."

Glass says the company hopes participants return to work having built tbeir confidence and widened their horizons. Another spin-off is the shared experience with colleagues from different parts of tha business, which can create lasting networks.

Not all companies, however, are convinced. David Malaperiman, UK communications director at McDonnell Douglas Information Systems, says the group prefers to send its UK people on management courses closely related to the business. "They're given business problems to sort out and methods of doing it. They identify, for example, how to improve productivity and increase quality. They get to look at the company from the outside."

He says the company would consider ontdoor training, "if something came up that made it look as if it's more than just a physical challenge".

At Marks and Spencer, a spokeswoman says the company uses outdoor training for junior trainees. It is not considered relevant for senior managers: "If they've got to senior levels in the company they're not going to have problems with their team-huilding or confidence," she says.

One of the criticisms often levelled at ontdoor management training is that its emphasis on physical activity isolates those who cannot or will not participate.

Holdsworth says that if someone is not contributing it simply mirrors real working life. "The option is to get rid of the person or work with them," be says. "It may be that by putting the person in a position of leadership for the next exercise that they get more out of it and become more engaged.

"The model we use here is comfort, stretch, panic. People don't learn much when they're comfortable; they learn when they're stretched; but not when they panic. Everybody's boundaries are different."

Jeanette admits that she approached her training day with the intention of doing "the bare minimum", but it was not that easy. "The trainers avoided actually saying the sentence, 'You don't have to do it'," she says. "It was all, 'you'll be letting the side down'. They'd briefed us beforehand that we had to stretch ourselves to get the most out of it. But when you're going across a fast-flowing river on a hit of rope, sheer terror keeps you going."

The hale and hearty, macho image of some outdoor training courses is a turn-off for many businesses. "The bad suppliers will sometimes try to boost the macho image because they've misunderstood what organisations want. Good organisations will try to defuse it," says Massara.

He says well-run courses will also cbeck out participants' fitness before they start: "The lead players . . . are not in the business of having people collapsing on them."

Safety aside, companies often find the cost prohibitive. Massara reckons a typical four-day course may cost up to £1,500 a head, though it could be a lot less depending on the content and structure of the course. Holdsworth admits that courses have become sborter – "possibly due to economic pressures" – and that companies will sometimes ask for a course to be shortened.

The difficulty of translating the lessons learned to the workplace is often another sticking point. Dena Michelli, product development manager at the Institute of Management, says companies are now looking at training long-term and are more interested in short courses and competency-based standards such as National Vocational Qualifications.

"Many think outdoor training is passé, self-indulgent and macho – for the chosen few," she says. "They don't recognise its value. The focus has become more organisation-based. They don't train for training's sake – and outdoor training did have that sort of image."

In spite of its apparent dip in popularity, supporters of outdoor training believe it still has a role to play. Massara says: "It has to be used in conjunction with other forms of management development training. It's not the be all and end all."

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Lingering taste for the outdoors

Twenty months ago I was given my own taste of outdoor management training during a 36-hour "appreciation" course run from a converted harn on the edge of Dartmoor. The various raft building, emergency rescue and night search exercises – linked to classroom discussions of communication, team building and organisational change – were designed to show prospective clients (personnel and training managers in large UK companies) that the "ontdoor" approach can yield tangible benefits.

Most of my nine fellow participants were enthusiastic about the experience and headed back to their offices keen to sell the idea to senior colleagues.

Last week I decided to find out how they had got on.

Only five are still in situ, of which only one has so far used the Truro, Cornwall-hased company which ran the Dartmoor event Training in Action. He prefers to remain anonymous – "we are a relatively young PLC with a PR department which is terrified of what shareholders might think of this" – hut insists the 20 to 30 senior managers who have been on courses (including several women) "have been very positive".

Lesley Dayson, training manager of computer distributors Front Line Distribution, subsequently decided to go for another outdoor training provider. She says the courses have been "very worthwhile", especially when complemented hy classroom work. About 130 senior and middle managers at Front Line have embraced the ontward bound option. "It makes people acknowledge the effect of teamwork in a hazardous environment," says Dayson.

Lawrence Mitchell, senior personnel manager at the Royal Bank of Scotland in Edinburgh, reports that outdoor training "is still something we are considering" for senior managers – but the bank has not yet sent any on a course. Royal Bank, he adds, has long used a centre in the Lake District for the development of junior executives.

The other two, meanwhile, supplied evidence that outward bound has been a victim of bndgetary restraint and the tendency in difficult times to concentrate on more specific training needs. Simon Davey, finance director of the breakfast television company GMTV, nevertheless says "it is something we will consider in better days".

Financial constraint has been a big issue for Action Aid, the international development charity backed by individual sponsors which operates in 21 countries. "Outdoor training has been a casualty of general bndget cuts," laments Ian Mooney, international human resources manager (whose boss attended the appreciation course). "I am moderately positive about it, though I wouldn't be rushing to advise other managers at the moment. Yes, it's something we'd love to do if we had the resources."

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PIONEERS AND PROPHETS

Abraham Maslow

Abraham Maslow, the US-born psychologist and philosopher, was the author of one of the best-known theories about motivation to emerge this century. Although his ideas have been superseded within academic circles, they retain an intuitive appeal for many managers.

Described as the "father of humanist psychology", Maslow is best known for his notion of a "hierarchy of needs" that humans seek to satisfy.

He put physiological needs, such as hunger or thirst, at the bottom of this hierarchy. The need for safety, a sense of belonging and esteem was placed in the middle, while the need for self-actualisation or personal development was put at the top.

He argued that the lower needs dominate peoples' behaviour until they are fulfilled. Once a need is satisfied, people turn to the needs on the next step of the hierarchy.

Maslow's generally optimistic view of human nature as striving for self-fulfilment was expounded in his books *Motivation and Personality (1954)* and *Towards a Psychology of Being (1962)*, which he wrote when ha was head of the psychology department at Brandeis University, Massachusetts.

His ideas gained recognition at a time when rising affluence, industrial unrest and a tight labour market were prompting businesses to search for a more humanistic, liberal approach to management. His philosophy encouraged organisations in the view that individuals might be capable of taking on greater responsibility if they were given more varied work and lighter supervision.

But Maslow's theory did not escape criticism. An important omission, critics said, was that although basic needs become less important as they are attained, failure to meet them can create intense dissatisfaction.

"What Maslow did not see is that a want changes in the act of being satisfied," according to Peter Drucker, the management theorist. "As a want approaches satiety, its capacity to reward, and with it its power as an incentive, diminishes fast. But its capacity to deter, to create dissatisfaction and to act as a disincentive, rapidly increases."

Maslow's work was, to some extent, superseded by that of other psychologists such as Frederick Herzberg. He distinguished between motivating factors which served deeper aspirations, such as achievement, responsibility and personal growth, and those he dubbed hygiene or maintenance factors, such as salary aspirations or job security which could demotivate if they were not satisfied.

Although Maslow's theory is now seen as old-fashioned, many still find it attractive. In spite of obvious exceptions, such as the artist who produces a masterpiece while starving in a garret, most people feel incapable of achieving self-fulfilment while worrying about basic needs such as security and safety. The idea that a workforce can be motivated by notions such as responsibility, autonomy and the regard of others has also remained powerful.

Vanessa Houlder

Bewildered by the lexico-inventive

ADRIAN FURNHAM

Deadly Ernest Saunders bas recovered well from his "pre-senile dementia". Politically-correct social scientists have been helpful in recent years by "discovering" all sorts of crypto-scientific diagnostic terms to help explain certain less desirable behaviours.

Being dim, for example, is called attention deficit disorder if one is working class or mild dyslexia if middle class.

Are there no managerial psychiatrists who could not belp defend the incompetent middle manager by finding the underlying "cause" of his problem? Thus the habitually late could be counselled for diurnal disturbance syndrome and those who dislike taking orders from authority, post-adolescence rebellion disorder.

Sleazy, corrupt managers suffer from socio-moral mania, while capricious and mercurial bosses could be described as erratic effect sufferers or victims of acute cyclothymic ailment. The vindictive nasty bastard should pose no problem for the lexico-inventive psychiatrist; what about hyper-aggressive/hypo-assertive imbalance?

Most of all we need a term for the middle-aged, middle-brow, middle-ranking manager worn down hy the "changes and chances of this fleeting world". Any advance on managerial menopausal myopia or bewildered techno-phobia?

The ubiquity of McDonald's has meant that economists have been able to come up with simple country comparative measures based on the price of a Big Mac. Thus how long a worker has to labour to purchase a burger in each country provides an easy comparator.

I have recently developed another – the air-miles magazine index or AMMI. It refers to how long in flying time, or distance, a magazine is good for in the sense that it will typically keep one amused. Thus I reckon that The Economist is probably an Istanbul magazine (about 3½ bours), while Private Eye is worth no more than Paris or Amsterdam (about one hour). Hello! I feel should last that interlude from the revving the engines on the take-off runway till the "fasten-safety balt" sign is first taken off.

"The rainforest," said our guide in tropical Queensland on Christmas Eve, "is a model of socialism. Everything is in equilibrium; no species competes with another and all the plant life is mutually interdependent, in harmony and supportive."

Was he serious, I wondered, or simply reading the signals from the rag-bag of wide-eyed foreign tourists he was escorting? Was this sentimental eco-babble or a new econo-botanic model of the world? Having acute hearing for the word socialism I paid particular attention to our learned and likeable leader.

The rainforest was primitive, enchanting and varied but, like Castro's Cuba, the reality did not reflect our guide's professed ideology. Many of the plants, notably the vines, let the strong trees do their work for them. Twisting around their trunks, squeezing them to death and/or sucking them dry of nutrients, the vines often destroyed the strong Darwinian-surviving hardwoods. Many lazy lianas and farns simply hitched a ride skywards on the healthy growth of the strong trees who became overloaded hy these welfare dependants. This was nature not red in tooth and claw but green in parasitic opportunism.

Perhaps our guide was right after all: the rainforest was a truer model of socialism than he knew.

Marketers are concerned with selling the comparative benefits of their products. In the world of competitive sport you come first, second or third and receive medals made of metals of proportionate values (gold, silver and bronze). This is the world of honest declensions: good, better, best; heavy, heavier, heaviest; far, farther, farthest.

But selling products requires of marketers that they produce in everyhody a "faal-good factor" about their choice, or indeed lack of choice. Consider the world's favourite airline. First class does and will remain first class. No need to fudge at the top.

Nearly all airlines call first, first; as do railways, hotels and other service industries.

The problems, or challenges as we now have to call them, arise with second, or even third best. Thus business class is second class – not as good, not as luxurious, not as hig. Some airlines favour calling their second class after some national hero, place or institution as long as it is positive, romantic . . . and vague.

Tha real marketing problem lies in describing the poor blighters at the back of the hus; the "little people who pay taxes" and have to endure hours of discomfort squashed into seats made for performing midgets. How hest to describe the citizens of the third estate remains the issue. If God had wanted us to traval economy he surely would have made us narrower.

PEOPLE

How hard has the peso hit Mexico's richest man?

Last year, Carlos Slim Helú was worth $6.6bn. Devaluation will have sharply reduced this fortune. But Slim's financial acumen remains unchallenged, writes Stephen Fidler

Carlos Slim Helú is the richest man in Mexico. He was also, according to *Forbes* magazine, the 12th wealthiest individual in the world last year with a net worth estimated at $6.6bn. He is worth significantly less today.

The drastic devaluation of the Mexican peso and the collapse in the stock market has cost him hundreds of millions of dollars. Through his interests in the state telaphone monopoly, Telmex, his conglomerate Grupo Carso, and his financial husiness, Grupo Inbursa, he is said to control a fifth of the Mexican stock market. And that market is in a state of panic.

But as he sits in his modest office in Mexico City's Lomas district, suffering from 'flu, he looks surprised at the suggestion that all this would make him any husier than usual.

He says he saw currency depreciation coming, though not of the speed and magnitude that has wiped nearly 40 per cent off the value of the peso in the last three weeks.

The over-valuation of the peso was clear when American tacos and guacamole started appearing in Mexican shops. When it came, though, the devaluation was "a significant surprise because we were expecting a sort of soft landing for the currency."

Even so, Slim's standing in stock market folklore for his financial acumen remains unchallenged. Of all Mexico's billionaires – *Forbes* counted 24 last year, but will find many fewer this – it is the two richest who have cemented their reputations.

Slim and the television magnate Emilio Azcárraga – net worth $5.4bn, according to *Forbes* – are viewed as having minimised the impact of the devaluation on their companies, mainly by aligning their dollar debts with dollar revenues and making sure spare cash was in dollars.

Many Mexicans, however, prefer to view wealth as deriving from corruption rather than cleverness. If Slim and Azcárraga fared better than the others, then they must have heen tipped off in advance about the devaluation. Both, said the weekly magazine *Proceso*, "converted part of their dollar deht into pesos shortly before the devaluation announcement".

There is little evidence the government ltself knew about tha devaluation much ln advance of announcing it, though government officials say a plan had been adopted to accelerate the peso's depreciation in the first quarter of this year.

Slim denies any tip-off, and says it is naive to think there would have been time to do much about it, had there been one.

Instead, he says his rule has been to allow his companies dollar debts only to the extent that they have dollar earnings. Nonetheless, the devaluation has cost his companies money, including the jewel in the crown, Telmex, which he has controlled since privatisation hy the administration of Presidant Carlos Salinas. "There will be an accelerated depreciation of fixed assets, but those companies producing for export and import substitution are going to be more viable," he says.

In Grupo Carso, such beneficiarles include Nacohre, which makes copper tuhes, Condumex, which makes cahles, MDBO, the electronic products and vehicle parts company, and Frisco, the mining company. Slim is also enthusiastic ahout the prospects for Alumsa, the aluminium company which should also benefit from higher world price for its main product.

in fact, he says, the devaluation will imply a big and rapld improvement in Mexico's financial position. With Mexican interest rates above 30 per cent and the peso sharply weaker than lt was a few weeks ago, Mexican financial assets also look attractive, he says.

Furthermore, hs predicts that the country's current account deficit, which reached $28hn last year, nearly 8 per cent of gross domestic product, will turn around rapidly. "It seems to me that in the short term our exports will rise and our imports fall substantially, and that we are going to have a favourable trade balance. Probably already the current account will be about in balance in the short term," he says.

Slim's suggestions to US investors last week tbat a balanced current account was possible this year were greeted with some scepticism by his audience.

But, while he acknowledges he is "an engineer, not an economist", the Slim fortune bas been huilt on the opportunities that arise out of adversity. His fatber, Julián, arrived from Lebanon in 1902, in what may be one of the most violent periods in a violent history – the Mexican revolution of 1910-20 – his father opened a shop and started huying property in Mexico City. It made his fortune.

Carlos, his sixtb son, founded Carso in 1966, at the age of 26. That year, he also establlsbed his other mein business, the stockbroker inversora Bursatil (Inbursa). It was here that two other members of the 1994 *Forbes* hillionaires club started their careers: Roberto Hernández and Slim's cousin Alfredo Harp Helú, now co-owners of Banamex, the hig Mexican bank.

Carso originally concentrated its activities in property and construction, hut in the mid-1970s began to move into manufacturing. It subsequently took over the country's largest tobacco company, Cigatam, which makes Marlboro for the Mexican market. But it was in the early-1980s – a period of high inflation, devaluations and debt crisis – that Slim was huying the companies that would make him a billionaire. When the rest of Mexico was in panic, Carlos Slim, like his father, was buying assets.

Slim has attributed his success to three things: vocation, tslent and work. A former mathematics professor at the National Autonomous University of Mexico (UNAM), he is said to recall in detail the balance sbeets of his companies and the mlnutiae of their financial performance. He is not infallibla: he suggests be is unlikely again to dahhle in derivative markets where he is currently losing money after writing put options on Telmex shares. Nonetheless, he is regarded as having an excellent instinct about the Mexican economy.

An svid reader of Mexican history, he is an insomniac wbo works into the early hours of the morning. Polite hut informal – he is reported once to have been ejected from the Mexican stock exchange building for not wearing a tie – his other main interest is his family.

He and his wife, Sumaya, also of Lebanese descent, have six children. His son Carlos, who walked in during our interview and embraced his father, directs Carso's store business, Sanborn Brothers.

That part of the Carso business will slow this year along with the economy, but overall Slim says it is "better for the economy and the country to have an exchange rate relatively undervalued to one that is relatively overvalued".

Still, it is unfortunate that devaluations always seem to hammer Mexico so hard. "It's a shame that we do not view devaluations like they do in some developed countries. We have seen devaluations in the US, in France, in England and in Spain, without such powerful repercussions. Here it's like losing your virginity".

NAMES IN THE NEWS

Early proponent of Chinese cultivation

At 49 Philip Tose, chairman of Peregrine investments, is perhaps too old to be called the *enfant terrible* of Hong Kong's investment banking community and too young for the title *eminence grise*, writes Simon Holberton.

He is an investment banker who – in this age of euphemism – stands out as someone who speaks his mind plainly and forcefully.

Tose has made powerful enemies among the vestiges of British Hong Kong through his opposition to UK government policies. His business tactics have also come in for criticism. Last month his firm was fined for helping clients create a false market in public company shares.

However, the censure is unlikely to upset the powerful friends he has made among Hong Kong's Chinese business élite or threaten his strong links with mainland business. Indeed, last week, Charles Lee, former Hong Kong stock exchange chairman, and Gao Shanquan, a mainland official, joined Peregrine's board.

Tose has been nothing if not assiduous (and prescient) in his cultivation of tha Chinese. And he started early. He arrived in Hong Kong in September 1972 to work for Vickers da Costa, a London firm in which his father was a senior partner. He wrote the first stockbrokers' report on Li Ka-shing's Cheung Kong, a property and investment company. In 1975 Li and his company was unknown to Anglo-Saxon investors.

When, in 1988, Tose needed some help to found Peregrine, Li contributed to the start-up capital of $40m. They have not been disappointed. Tose and his long-time partner Francis Leung have huilt a business which today controls net assets of around $1.5hn.

Last year proved difficult, and Tose expects 1995 to be equally so, but that prospect has not affected his faith in Hong Kong. "This is our home," he says. "We are not going to leave or retrench ... Hong Kong is where I want to live the rest of my days. I'm fascinated hy it."

Macdonald goes native

Another feather in the cap for London accountants Touche Ross: one of its partners is to be auditor-general of New Zealand, writes Jim Kelly.

David Macdonald, a 52-year-old native New Zealander, has been appointed to the post in a hid to restore public confidence in the monitoring of the country's puhlic finances.

He replaces Jeff Chapman who resigned following an investigation into his financial affairs by New Zealand's Serious Fraud Office. Chapman was found to owe the Audit Office more than NZ$156,000 (£60,700), and was heavily criticised for an insufficient regard for the prudent expenditure of public money. Chapman resigned, citing parsonal financial difficulties; he dlsputes two-thirds of the deht, as well as lerge parts of the report.

The immediate task facing Macdonald, who starts work after Easter, is to restore credibility in the eyes of the constituency of the auditor-general – ie, the general public and parliament. "When the pnblic watchdog leaves in these circumstances there is a credihility issue," admits Mecdonald.

A fellow of the New Zealand Society of Accountants, Macdonald is going back home. He joined Deloitte Haskins & Sells in New Zealand in 1960. After working on secondment in the US he returned to New Zealand in 1971 and spent 20 years as a client service partner before transferring to the UK in 1990 as a partner in the UK firm's financial group, later switching to insurance.

However, he kept up his contacts in New Zealand and has worked on assignments for the anditor-general – which perhsps explains why he got the job.

Russian gasman par excellence

Hands up anyone who can name the man in charge of 35 per cent of the world's known gas reserves? Rem Ivanovich Vyschirev, chairman of Gazprom, keeps a much lower profile than his predecessor, Viktor Chernomyrdin, the current prime minister of Russia, writes John Thornhill.

The grey-suited and bespectacled Vyachirev rarely gives interviews and – remarkahly, given Gazprom's importance – he is not even listed in any of the glossy directories of Russia's husiness élite published in recent years. A hiunt-speaking, no-nonsense industrial manager, he commands enormous authority within Russia's gas emplre and sees little need to cultivate a public image outside it.

However, Vyachirev may have to change his ways if Gazprom is to get the best price for the 9 per cent of its equity which it plans to sell to overseas investors. Kleinwort Benson faces a tough task sprucing up Vyachirev's investor-friendly image since he does not speak much English.

Vyachirev, a gas man to his finger-tips and graduate of technical sciences, knows his stuff. On the rare occasions he eppears at international conferences he can be relied upon to lecture his audience for hours about the size of Gazprom's vast reserves and its future grand ambitions.

Gazprom was always one of the more internationally-minded and better-managed Soviet enterprises, and its managers have coped with the current economic turmoil in Russia far better than their counterparts in the chaotic oil industry. But, like most Gazprom directors, Vyachirev has little time – and not much more respect – for his foreign competitors. This, too, may have to change if Vyachirev is to take his rightful place on the International stage.

Global role for Austin at Bell & Howell

Richard Austin, the British-born chairman and managing director of Bell & Howell's European document management divislon, has been appointed president of the US group's global document management systems (DMS) business, writes Paul Taylor.

Austin, 56, will be responsihle for running the husiness, which spans hoth electronic imaging and microfilm systems for document filing and retrieval. He will be hased in Bell & Howell's London office.

He was one of 16 corporate shareholders in an international management huy-out team which acqnired the Skokie, Illinois-based gronp ln 1988. Austin ls credlted with turning Bell & Howell into a technological leader in DMS, using software and systems developed both ln Europe and the US.

Born in Harrow, Middlesex, he was educated at the local grammar school before attending London University. His service ln the army included a tour of duty at supreme headqnarters, allied powers, in Paris. He started hls business career with IBM UK, as a management trainee, but three years later moved to a sales joh at 3M UK.

In 1968 he joined Bell & Howell in a sales management position, and progressed to become director of marketing for the group's husiness equipment division in the eastern hemisphere. He says his first 10 years at Bell & Howell were "full of change" as the group huilt up product lines and distrihution networks for the microfilm husiness in competition with the market leaders, Kodak and 3M.

He was appointed European managing director of the business eqnipment dlvision in 1979, and held tbst position until 1988, when he was appointed to his present post of corporate vice-president of Bell & Howell and managing director of the group's information management division in Europe.

He lives in Bnckinghamshire and lists among his ontside interests cooking, cricket, reading, eating and modest drinking.

MEDIA FUTURES

Olivetti venture to attack Europe's CD-rom market

By Alan Cane

Olivetti Telemedia, formed last September to marshall the Italian group's skills in multimedia, is planning an assault on the European CD-Rom market.

It has formed a joint venture with StarPress Multimedia, a Californian multimedia developer and publisher.

The intention is to develop and distributa CD-Rom titles on a pan-European basis.

The new venture will be called Olivetti StarPress Europe, and Olivetti has 51 per cent of the equity.

It is aiming at the "edutainment" and "infotainment" markets, which combine elements of education and information with entertainment.

***Olivetti Telemedia includes* Acorn Computer, Online Media and Hughes Olivetti Telecomand Opera Multimedia, Olivetti Group's CD-Rom publishing operation.**

StarPress Multimedia, a two-year-old venture, develops, publishes and distributes interactive multimedia titles on CD-Rom for children and adults. Typical of its titles is the *Sports Illustrated 1994 Mulitmedia Sports Almanac*.

Grant Perry, Telemedia vice-president for new media initiatives, was not prepared last week to discuss the size of the investment being made by the two companies, nor the likely revenues.

He said, however, that Telemedia could help StarPress by republishing and distributing its titles in Europe, while StarPress could help Telemedia establish a leading position in the CD-Rom business.

He said he hoped the venture could bring some order to the "chaos" that was CD-Rom publishing today.

System to take you inside the screen

By Alan Cane

Competition to develop electronic friends and helpers is mounting steadily. Forget personal digital assistants (PDA's). Ones such as Apple's Newton are just pieces of hardware. Forget software "agents", which search databases for useful information, too; they are only characterless pieces of software. What the computer scientists are planning now is to create anthropomorphic beings in cyberspace to help, befriend and encourage their human companions on fantastic voyages of discovery.

Should they be taken seriously? The first of the species are already evident in the form of Fujitsu's Habitat video game, an electronic city whose inhabitants take on the personalities of the players.

Soon Microsoft intends to introduce its Utopia program, with a cast of cartoon characters on screen to help the user. So there is no reason to suppose that Stepan Pachikov, chairman of tbe Russian-US software company ParaGraph, is anything but serious when he describes his new software, AlterEgo, as a way of living other lives.

He also has the endorsement of Regis McKenna, a management consultant and one of tha shrewdest minds in California's Silicon Valley. McKenna, who helped Apple focus its corporate mind on market opportunities, says the AlterEgo software is remarkable.

Still in development, it is a set of software tools which makes it possible to develop three-dimensional moving video images. Pachikov envisages AlterEgo applications being offered as a service from e communications centre equipped with the considerable computer power to make it possible.

He foresees three levels: Time Machine, which enables players to travel in time and space – to ancient Rome, perhaps, or 19th century Russia. Second, Culture and Ego: "Why not travel, not only in history hut in the world of a personal ego." Pachikov says, alluding to trips into the thought processes of famous painters and musicians. The third level he calls Mind Exchange. "This is travel to worlds which are unknown to the human race. Can you imagine you are a fish in an ocean? Or a hutterfly, or an ant, or a caterpillar. Well those are easy," says Pachikov. "But try to imagine you're an animal which lives in a macrocosm-space, according to its own laws and rules. We suppose there will appear a generation of writers and playwrights who will create such unbelievable worlds. And you may want to try living there."

in the real world, ParaGrapb is an unusual company with beadquarters in Moscow and Sunnyvale, California. It specialises in data compression and is best known for developing the handwriting recognition software for Apple's somewhat unsuccessful Newton PDA. Analysts argue that ParaGraph's work was remarkable, but that pen-based products are not ready for consumer markets.

Mckenna thinks that ParaGraph should be able to launch this year a product or two based on AlterEgo software, though he is still worried about whether the time is right and the opportunities real.

He has no douht, however, about the technology. "When I first saw AlterEgo I was sceptical," he says. "I thought it was Alice in Wonderland stuff. I was right. It is Alice in Wonderland for the 21st century."

Corporate publisher who is going places

Raymond Snoddy on what motivates **William Sieghart**

Trevor Humphries

William Sieghart: "I have always thought it was absolute madness to work 12 hours a day."

When he left universlty, William Sieghart only took his first job as a photocopier salesman for Rank Zerox to make money to finance his travels in India and Tibet.

More than a decade later Sieghart is a millionaire: the founder and co-owner of Forward Publishing, an innovative corporate magazine publisher with a turnover of more than £7m. Clients include IBM, Marks & Spencer and Tesco.

Despite growing responsibilities, Sieghart's attitude to work and travel has hardly changed from his days at Rank Zerox. He likes to travel for about three months a year, often to remote and sometimes dangerous places. Last year his travels included Ethiopia, Jordan and Libya. When England is playing cricket in the West Indies, Sieghart is there for at least one complete Test match.

At present he is indulging his taste for ruins in Peru, Bolivia and Colombia, hut will be back at his London desk by the start of March.

"I have always thought it was absolute madness to work 12 hours a day, weekends, and 12 months a year," says Sieghart, 34. "That's not going to produce your best work. If you don't take account of your spiritual development, your work will just grind you down."

As someone who always wanted to work for himself, Siegbart is free to travel because he had editors he trusts, and a partner, Neil Mendoza, who looks after the shop while he is away. In contrast Mendoza, an American, usually takes two months off in more sedate fashion in the summer, on *Long Island*.

Sieghart's feeling for travel and different cultures has fed into one of his most interesting business relationships – with IBM – and the development of what he believes is a new type of international publishing for companies and their customers.

His escape from selling photocopiers came in 1984, when he was asked by Rank Xerox to produce a magazine that would portray its expertise in information technology. "I thougbt up the idea of a magazine that would go to all the chief executives around Britain and the kind of people who might influence board decisions about IT [information technology]."

So he floated himself free from Rank Xerox with a 12-month contract and added further magazines such as *The Viewer* for ITV, as well as annual reports for clients that included Unilever and Cahle and Wireless.

"Anything a company puts out in print is effectively puhlishing," says Sieghart, who happily applies the techniques of the glossiest magazines to the corporate sector.

Forward has often found ltself producing magazines to explain and demystify technical products aimed at the consumer, which is what IBM decided it needed after it found that many of its customers could not operate its persooal computers. Working with an advertising agency, Forward produced the idea of a magazine for users of IBM PC's.

"We had to invent the first magazine for people who hate computers. It's all about liberation – what a computer can do for you," says Sieghart, who hrought together Steve Cooke, a former editor of *PC World*, and Louisa Young, a former assistant editor of the award-winning women's magazine *Marie Claire*, to produce IMB's *Help* magazine. Sieghart also thought of using the colours of the ski slopes – from easy green to difficult hlack – to grade articles for accessihility.

There are now 12 different language editions of *Help*, with separate editorial teams in each country. Each issue is planned et a two-day editorial meeting in London. About 80 per cent of the copy is common, though everything is localised.

"Translated copy simply doesn't work," says Sieghart. "Every magazine feels like it is written hy the Finns for the Finns or hy the Germans for the Germans."

In Germany, for example, Sieghart says they don't like articles about fighter pilot software, while artlcles about modems are not particuiarly relevant for the French because they have Minitel, and thus feel they are perfectly familiar with modems.

in Forward's London offices there is "a kind of [BBC] World Service organisatlon". Production of each national edition is in the hands of a native speaker. Sieghart hopes that IBM will take the concept global, and that Forward will be ahle to make similar hreakthroughs with otber large international companies.

He declines to provide details of Forward's profits, though it is now 50 per cent owned hy Landa, an investment trust with which Cherles Saatchi, the advertising guru, is belleved to be involved. Latest returns registed at Companies House (year to March 1994) show a turnover of £6.2m for Forward, with pre-tax profits of £417,249.

Apart from travel and producing magazines of which he is proud, Forward allows Sieghart to indulge a third passion – love of poetry. Forward has published poetry since its second year and Sieghart is the man behind the £10,000 annual Forward Prize for poetry, as well as National Poetry Day.

Most of all, he says he likes seeing the art and religious architecture of different societies and living, at least for a while, among those whose lives still have a traditional rhythm. If be is going to operate and live happily within the corporate and material world, he says, he needs to be part of that other world as well.

Sun and Thomson TV launch

By Alan Cane

A digital interactive television system, based on off-the-shelf technologies, has been announced in the US by an alliance of Sun, the work-station manufacturer, and the consumer electronics division of Thomson of France.

Systems of this kind are expected to prove the huilding blocks of the multimedia revolution, vying with home computers as the devices of choice for bringing interactive information and entertainment into the living room.

Sun and Thomson, which have heen working together for six months, made the announcement at last week's consumer electronics show in *Las Vegas*. They claim that the system, based on commercially available products, is the first of its kind to be offered to network operators and content providers. It should prove significantly less expensive than specially-designed systems.

The system comprises a video server based on Sun's work-station technology. These deliver digital video signals (compressed to the industry MPEG2 standard) to set-top receivers.

The two companies demonstrated a number of typical applications, including video-on-demand (with full VCR control, such as fast forward, reverse and pause), ticket-ordering and shopping applications, which allow viewers to respond to advertisements.

BUSINESS TRAVEL

Japan earthquakes

Japan picked up the pieces yesterday following three strong earthquakes in 14 hours. Seismologists warned of worse tremors to come. Although nerves were frayed, there was satisfaction among disaster officials that once again Japan's warning system and building precautions kept casualties and damage to a minimum. The latest tremors, on Saturday, ranged from 5.2 on the Richter scale just outside Tokyo to 6.9 and 4.2 in Hachinohe, 325 miles north of the capital.

The Japanese Meteorological Agency said the three tremors were the largest of 748 aftershocks in northern Japan since a December 28 'quake killed three people and injured several hundred in Hachinohe. Yesterday, 5,000 homes were still without water and many stores were clearing up broken glass. In Tokyo, some trains were halted as a precaution, but that tremor caused no casualties or damage.

Japan has a centuries-old culture of coping with 'quakes. More than 440 severe earthquakes have been recorded in detail since 416 AD, when court chroniclers first wrote of one in the ancient capital of Asuka. Modern Japan has spent heavily on precautions to detect 'quakes and help prevent disasters.

Sleeper offer

UK business travellers are the target for a new rail ticket being introduced by Intercity West Coast. The first-class "sleeper executive single" service costs £79 for a journey between London and Aberdeen, Carlisle, Edinburgh, Fort William, Glasgow and Inverness. The price includes continental breakfast. The aim is to attract business customers who normally fly in both directions. Intercity said it was also offering winter and spring bargain prices on Motorail.

24-hour Le Shuttle

Eurotunnel's Le Shuttle train, which takes passengers and cars through the Channel Tunnel between Britain and France, started a round-the-clock service last week: 40 departures per day compared to 26 daily during the introductory phase. The Folkestone-Calais trip takes 35 minutes. Le Shuttle was the last of the various passenger and freight services to get going following the launch of the first commercial services through the tunnel last November 14. The launch of all services was well behind schedule.

Eurotunnel said that all services through the tunnel – Le Shuttle freight and tourist services, rail-freight and the Eurostar passenger service between London, Paris and Brussels – were starting to establish themselves. This will raise the stakes in the cross-Channel tussle for business between trains and ferries. Eurotunnel added that the number of services would continue to increase, building up to the peak summer season.

Last Tuesday, passengers on a Eurostar train travelling from Brussels to London were delayed for two hours in Lille, northern France. They had to change trains because of an engine problem.

Flight inconvenience

Aircraft toilets took a panning from Britain's Consumers' Association last week. A survey in the association's *Holiday Which?* magazine said the average provision was one toilet per 44 passengers. Most "inconvenient" airline award went to Portugal's TAP – one toilet per 94 passengers on its Boeing 737-200s, while the best provision for economy passengers was on Thai Airways, Lufthansa, Northwest Airlines, Qantas, Swissair, Virgin and Iberia. In another survey, it found Egypt has the dearest car-hire, followed by Thailand and Australia.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	13	10	10	[illegible]	[illegible]
Hong Kong	22	22	23	[illegible]	[illegible]
London	9	7	5	[illegible]	[illegible]
Frankfurt	0	4	1	[illegible]	[illegible]
New York	4	-2	1	[illegible]	[illegible]
L. Angeles	18	17	17	[illegible]	[illegible]
Milan	4	8	5	[illegible]	[illegible]
Paris	6	7	5	9	[illegible]
Zurich	-1	4	1	[illegible]	[illegible]

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Smart Guide: **São Paulo**

Ugly but energetic

First-time visitors landing in São Paulo, Brazil's commercial and industrial heart, usually gasp at the size of the urban sprawl beneath tham, then choke on the pollution.

The city is home to about 15m people, if shanty towns and suburbs are included, and prides itself on being the southern hemisphere's biggest metropolitan area, as well as one of the biggest cities in the world. But when it comes to ugliness, São Paulo beats them all.

It is a monument to bad planning. Mile after mile of charmless concrete tower-blocks compete for light and scuffle over the occasional plot of greenery.

The city grew too quickly, transformed by Brazil's rapid industrialisation after the second world war, and its infrastructure is still trying to catch up.

World travellers may ewap anecdotes over a late-night drink that Mexico City's pollution is worse, Bangkok's traffic system more appalling and Hoog Kong's harbour more pungent. But São Paulo comes a close second on all three counts.

Before cancelling your trip, however, there is an aspect to São Paulo which visitors and residents often find compelling - its energy and enthusiasm.

Sitting at the heart of one of the world's biggest economies, São Paulo is addicted to capitalism, money and consumption. For the millions of poor Brazilians who migrated to it in recent decades, it still provides the dream – however unattainable – of a better life for future generations.

It is also, in its central districts, a cultured city. Successive waves of European and Japanese immigrants have produced excellent restaurants, reasonable museums and eclectic theatre.

More recently, it has become one of the main centres for Brazilian popular music, home to the country's most successful football clubs and, this year, final resting place for the city's favourite son, Ayrton Senna.

Where should I stay?

Hotels are expensive, as elsewhere in Brazil, and service often disappointing. There are three main business districts. Given the city's size, it is best to stay nearest to where your meetings are scheduled.

For the centre of the city, where many state government departments and lawyers have offices, the Hotel Ca'd'Oro (tel: 256 8011) is reliable and has a good restaurant. Single rooms: about $170.

The main banking and financial district has moved to the Avenida Paulista, the city's best-known avenue. The most central hotel is the Maksoud Plaza (253 4411), where rooms start at $280.

Recently, several multinational companies have ehifted out of the centre to the "Marginal" district. Here, the main business botel is the Transamerica (524 1100), where standard rooms cost $230.

Restaurants?

There are so many good restaurants in São Paulo that it is safe to ask your hotel for guidance. Italian and Japanese cooking is excellent. Massimo, a smart and expensive Italian restaurant, is popular with businessmen, as is the haby-beef Rubaiyat chain of upmarket grills. For Japanese food in a vaguely authentic atmosphere, the main Asian district of Liberdade has several good restaurants on a street called Tomas Gonzaga.

Central districts are very lively most nights, and areas like Jardins, Pinheiros and Bixiga are full of late bars and cáfés catering to different ages. Jardins draws a more sophisticated, older audience. Most nights, live music in Bixiga is cheap and frantic.

Getting around?

Taxis are plentiful but not cheap ($2 flag-fall), and taxi drivers rarely know any hut the largest streets. Preparing a map of where you are going can save much trouble. Drivers are friendly and more honest than their cousins in Rio de Janeiro. Prices are worked out using a meter and a tabulated price list.

What abont safety?

The central districts of the city are supposed to be no more dangerous than places like New York or London. But away from the centre, violence is often extreme. Visitors should be aware of the dangers, but not over-intimidated.

While it is perfectly safe to walk around in day-time, it is unwise for visitors to do so at night. Hide all valuables from view, including watches. If you are approached by someone with a weapon asking for your money – give it to them.

Snppose I have a spare day?

If you have a few hours to while away, the main art museum, known as MASP, is interesting, though Brazilian artists are outnumbered by European masters. The Municipal Theatre, in the city centre, offers reasonable classical music.

At weekends, the main park of Ibirapuera is worth visiting to see urban Brazilians at play. If you have a more time available, São Paulo state's excellent beaches are about two hours away by car. If time is really not a problem, go to Rio.

Angus Foster

An hour to spare: **Milan**

The glory that is the Poldi-Pezzoli

You are in Milan, with an hour between meetings. What to do?

A courtyard off the teeming via Manzoni leads to the Poldi-Pezzoli, Milan's unsung and under-visited version of the Frick or the Wallace collections. Inside the *palazzo* is a typically eclectic, latish 19th century offering of everything from arme and armour, displayed in a Gothic revival armoury, to porcelain, Limoges enamels, paintings, furniture, textiles, jewellery, glass and sculpture.

A period domestic flavour lingers still. The gilding and rich pigments of small-scale devotional altarpieces glimmer in shuttered upper rooms, and ferns a-plenty rise out of ormolu-mounted oriental porcelains. The glory of the Poldi is that you have all this *and* outstanding works of art.

It is worth visiting to look at just one or two. Botticelli's *Madonna of the Book* may have seen too much of the restorer's brush, but it remains a marvellous work. The *Lamentation of the Dead Christ*, unusually strong meat for Botticelli, is even more impressive.

The famous 15th century profile portrait traditionally attributed to Pollaiuolo represents the archetypal blond Renaissance heauty. From her immensely long neck roped with pearls to her fashionably high forehead, she is cool and angular enough to chill the summer sky.

Dnomo, Milan

Not so Mantegna's *Madonna*. She sits with the sleeping Christ-child on her lap, bending to rest her cheek on his brow. With one hand she cradles his body close to her under a protectively enveloping cloak, while her other hand gently supports his head – an extraordinary expression of maternal tenderness and sadness.

Susan Moore

ARCHITECTURE

The key to prison design

Colin Amery reviews The Architecture of Incarceration

"Prison offers the same sense of security to the convict as does a royal palace to a monarch. They are the two buildings constructed with the most faith, those which give the greatest certainty of being what they are...The masonry, the materials, the proportions and the architecture are in harmony with a moral unity that makes these dwellings indestructible for as long as the social form of which they are a symbol endures."

I do not suppose Michael Howard, Britain's home secretary, has spent a lot of time reading Jean Genet's *The Thief's Journal*, despite the fact that it offers an extraordinary and readable insight into the criminal mind, and a brilliant perception of the qualities of prison architecture. But he may, at this moment, have on his desk a copy of *The Architecture of Incarceration*.

This is the last word on the timely question of prison design. It has some useful lessons from a range of contributors, including a cryptic introduction by Judge Stephen Tumin (HM Chief Inspector of Prisons), and the views of several architects, a prisoner and social reformers.

In the last 15 years 21 new prisons have been built in Britain. There are more in the pipeline. Prison building represents one of the few growth areas for the architectural profession, and it is one that is gradually evolving its own philosophy. The problem is that the prison no longer represents the kind of certain, authoritarian world that Jean Genet described when he was writing about France in the first half of this century. The changing nature of our ideas about imprisonment is clearly reflected in the state of prisoo architecture. Prisons built in the late 18th century and throughout the 19th followed the ideas of prison reformers such as John Howard and Jeremy Bentham, who believed that punishment by confinement would both protect society and reform prisoners.

At the heart of these ideas was the architectural necessity for a prison plan to allow the constant overseeing of prisoners. This idea reached it zenith in Jeremy Bentham's panopticon – or "all-seeing" prison.

Strangeways: example of Jeremy Bentham's "all-seeing" prison

This centralised plan allowed the guards to be in a tower at the hub, where they could observe all the prisoners at all times. The Victorian era's radial prisons grew out of this idea, and Pentonville in London, Strangeways in Manchester, Reading, Durham and Exeter are all examples that are still in use.

These are the most basic of British prisons and are at present crowded to the full with prisoners. They are the prisons that provide rows and rows of cells on four or five levels, each wing radiating from a central rotunda.

In *The Architecture of Incarceration*, the most revealing contribution is an essay by Peter Wayne, who has been a prisoner for 11 years. Anyone interested in architectural history will have corresponded at some time with Wayne, because while "inside" he has become an architectural writer and historian, with a special interest in the English Baroque and Thomas Archer. He has an interesting literery style and writes from the experience of being in 30 different prisons throughout the UK.

His description of spending 23 hours a day with two or three other prisoners in an 8ft x 13ft cell is enlightening. Not until 1996 will the practice of "slopping out" be eliminated from British prisons. This means that men have to defecate like dogs on to a piece of newspaper laid out on the floor of the cell in front of two or three other people.

Despite this and other horrore, Wayne'e architectural and aesthetic sensibilitiee became highly developed by the contemplation of both his immediate surroundings and his reading and correspondence with architects. Apparently, Sir Richard Rogers wrote to him to say that his Lloyd's Building, in the City of London, had heen partly inspired by the atria of Victorian penal establishments.

After the Mountbatten Commission report in the mid-1960s (inspired hy escapes and prison troubles), the idea took root that the Victorian eystem of ruthless containment was wrong and that prisoners should enjoy a system of rehabilitation and dispersal. The prison architecture that resulted from this was as expensive and disastrous as the tower blocks and other monstrosities of the 1960s.

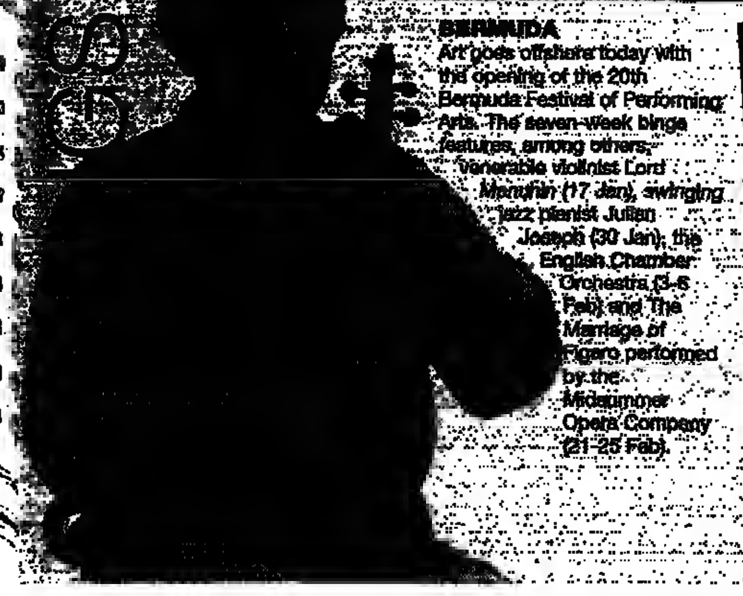
Wayne offera a potent description: "Wrapped in their concrete, perennially water-stained walls; criss-crossed with miles of razor-wired fencing; and sheltering smugly under anti-escape devices, an archipelago of identical living blocks cluster around the prison's main office and communal facilities." There are examples of these Mountbatten prisons at Long Lartin, Albany, on the Isle of Wight, and Gartree, in Leicesterehire. Wayne feels almost nostalgic for the authoritarian monumentality of the Victorian prisons. Perhaps he is right and there is no place for egalitarionism in places of punishment.

I recommend this book to all judges and Home Office officials, etruggling to deal with a prison system that is overloaded with an unsatisfactory building stock of all periods. The examples of new prisons in other countries show that there is no one clear answer. Enterprising prisoners would enjoy the book – despite the fact that its detailed plans and clear photographs do not show precisely where the keys are kept.

Published by Academy Group, London. £35.

● In conjunction with the Royal Society for Arts, the Financial Times is hosting a panel discussion on *The art of commissioning buildings – all you need to know*, on January 18, etarting at 6pm, at 8 John Adam Street, London WC2N 6EZ. The FT has six pairs of tickets for readers, for the first applications received. Contact: Vicki Harvey-Piper, corporate communications department, FT, tel: 071-873-3331.

ARTS



BERMUDA
Art goes offshore today with the opening of the 20th Bermuda Festival of Performing Arts. The seven-week binge features, among others, venerable violinist Lord Menuhin (17 Jan), swinging jazz pianist Julian Joseph (30 Jan), the English Chamber Orchestra (3-5 Feb) and The Marriage of Figaro performed by the Midsummer Opera Company (21-25 Feb).

LEIPZIG
Russian composer Alfred Schnittke wrote his Seventh Symphony for Kurt Masur and the New York Philharmonic Orchestra, who gave the first performance a year ago. This week Masur conducts the European premiere with his Leipzig Gewandhaus Orchestra. There are performances in Leipzig on Thursday, Düsseldorf on Saturday and Cologne on Sunday morning.

NEW YORK
A rare showing of French Renaissance prints can be seen at the Metropolitan Museum of Art over tha next three months. *Opening on Thursday*, the exhibition consists of 126 works on paper from the Bibliothèque Nationale in Paris. They range from etchings of Fontainebleau made in small numbers for artists and connoisseurs, to popular woodcuts reflecting the social and spiritual upheaval of France in the 16th century.

MUNICH
The only Janáček production for which David Pountney received a critical drubbing was his extravagant English *National Opera version* of "The Adventures of Mr Broucek" in 1992. But Peter Jonas, Pountney's former ENO team-mate and now intendant at the Bavarian State Opera, decided the production was good enough for Munich. Sung in German, it opens on Thursday with Robert Tear in the title role.

ROME
The new season at the Teatro dell'Opera, opening on Saturday with Berlioz's "Benvenuto Cellini", is the first in a three-year collaboration *with the Royal Opera*, Covent Garden. Although the Berlioz production is not included in the exchange, it will be a test of new Sovrintendente Giorgio Vidusso's ability to restore the fortunes of the Rome company. It is conducted by John Nelson and staged by Luigi Proietti, with a cast including Gosta Winbergh, Deborah Riedel and Diana Montague.

LONDON
At the Tricycle Theatre in Kilburn from today, "Ain't Misbehavin'" brings back to London the music of the great Fats Waller including "Honeysuckle Rose", "Your Feet's Too Big", "I've Got a Feeling I'm Falling", and "Keepin' Out of Mischief Now". The show - conceived by Murray Horwitz and Richard Maltby and directed here by Nicolas Kent and Gillian Gregory - was a Broadway hit in 1978.

Dancer with a black rage against his own dying light

Joan Acocella traces sources of anger for Bill T. Jones

This has been a big year for the 42-year-old modern dance choreographer Bill T. Jones. His face was on the cover of Time and he was the subject of a long profile and a subsequent critical broadsida in The New Yorker.

He received a prestigious MacArthur Fellowship and was named resident choreographer of the Lyons Opera Ballet whila atill leading his own troupe in the US. Pantheon is soon to publish his autobiography and the Public Broadcasting Service is planning two shows on him.

Why is Jones's choreography attracting so much attention? While it is high on energy and verve, it is low on imagination and design. What has set him apart has not the been the style of his work but its content: a combination of anger and sexual provocation.

As he told The New Yorker, he makes heavy use of "the *objectification of my own body*, knowing when to take your shirt off ... There's a whole dynamic that I've worked with."

His other dynamic is rage at the audience: black rage, gay rage. He is black, gay and HIV positive. In the first piece he ever choreographed, a 1974 solo called *A Dance with Durga Devi*, he stood in front of the audience stroking his body and saying to the spectators, "You want some?" Then he cursed them.

In *Last Night on Earth*, a solo piece which he created two years ago, soon after his HIV status became known, he ended by falling to the floor in such a way that the audience, while contamplating his demise, was also forced to contemplate his crotch, swathed in a sequined dance belt. They greeted it with reverential applause, whereupon he rose, shot his fist in the air in the Black Power salute and stormed angrily offstage.

The angrier he has been, the more he has used sexual provocation. Last summer, when he was *dancing a solo at a fund-raising party on Long Island*, he stopped in front of two small children of prospective board members and exposed his genitals to them. "It was like a Japanese kabuki mime," ha later explained, "the act when an intense moment happens and the protagonist stops to make a pose."

"So much of sex is about anger," Jones has said. The conjunction of those two elements works a curious magic on Jones's audiences. It seems to appeal to their need to sin *and be punished. Jones titil*lates them, unbuttons his shirt, uses "that whole dynamic"; then upbraids them.

More crucial for American audiences is the fact that the sexual image is black-skinned. Jones feeds on liberal guilt. He treats the audience with apparent hatred, but can they hate him back?

No. He is black, he is gay, he is HIV-positive. He has suffered, so maybe they should suffer too: at least suffering for this moment in the theatre is *far less painful than taking* political action for the sin of being more fortunate.

Jones has recognised this effect. In placing himself as an

> *'I can see in their eyes that they feel sorry for me, that I'm already dead. And that makes me mad'*

erotic image before the audience, ha is recapitulating "a history of exploitation", the exploitation of black bodies for white purposes.

"This costs me something," he adds, "and I want you to know that it costs me something." But as he knows, it also gains him something.

The spectators, having had both their sin and their spanking, feel they have experienced something complete and pro*found. And so they leap to* their feet, applauding, and pronounce the work "courageous".

In his solo performances, Jones's most striking quality is his narcissism, his burning focus on his body as a source of fascination that we are intended to share. Even when he is not before us in person, stroking his chest or shaking his fist, he is doing it behind the scenes.

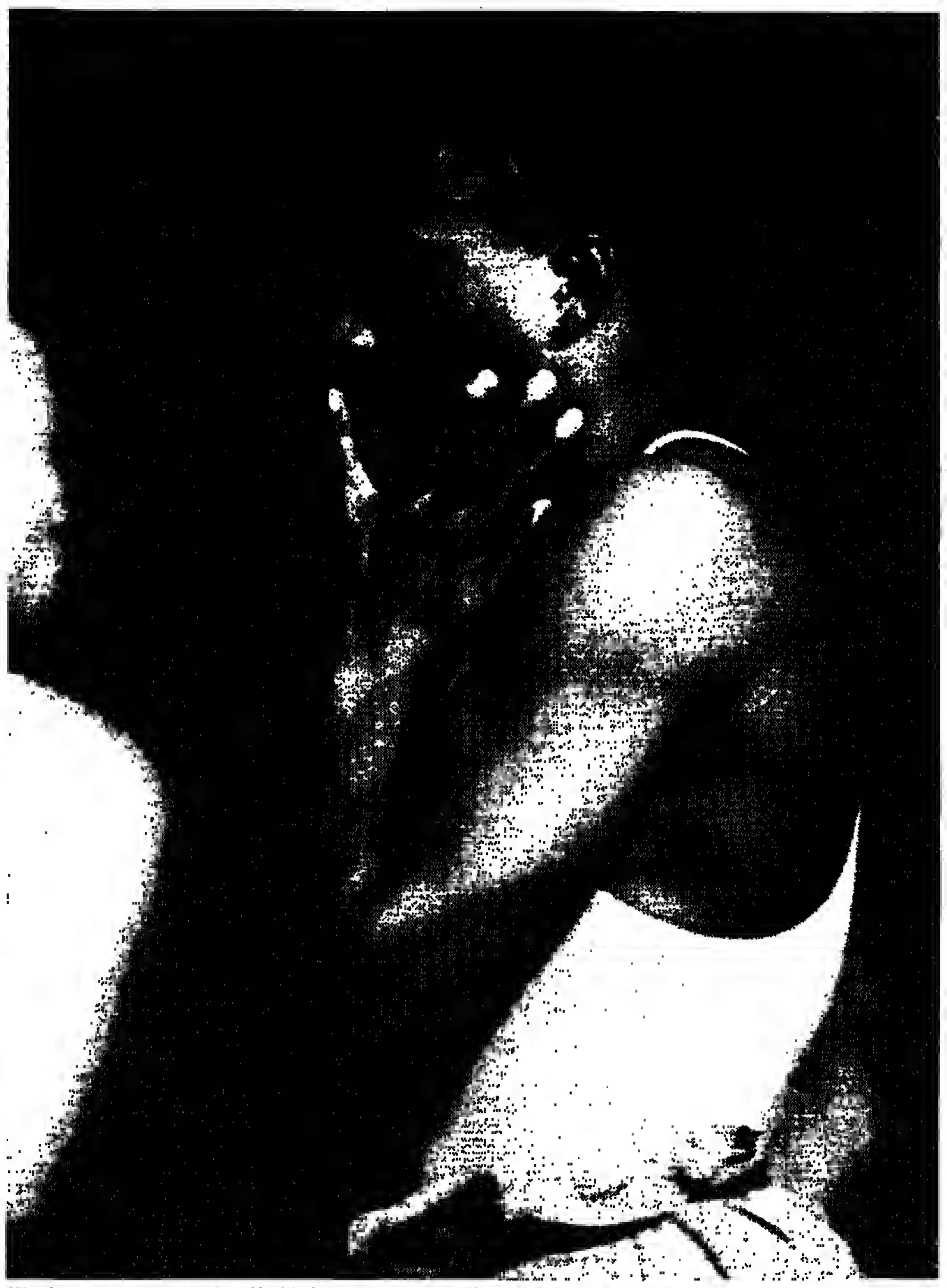
In a 1989 New York show, he had one of his dancers, Demian Acquavella, who at that time *was dying of Aids, make an* unscheduled appearance on stage. Dressed in a diaper and apparently unaware of what was going on, Acquavella grinned helplessly and thrashed on the floor until someone carried him offstage.

By ignoring Acquavella's dignity, Jones had made another strike at the audience, as if they had caused Aids or were at least indifferent to its ravages.

Recently, however, the tone of Jones'a self-preseotatioo has shifted. There is less rage, less sex, *and more of a feeling of* spirituality.

A current publicity photograph shows Jones naked but for a loincloth, ascending into the air like an angel, or perhaps an image of the resurrection of Christ. Clearly Jones is thinking about his death long before he should have had to, and for this one pities him. But the note of self-glorification is unmissable.

The same etmosphere permeates his newest piece, *Still/Here*, now touring Europe and America. Last year he held several "*Survival Workshops*", inviting people with serious illnesses – cancer, cystic fibrosis, Aids – to talk to him. Videotapes of the events became the raw material for *Still/Here*.



Bill T. Jones makes heavy use of 'the objectification of my own body, knowing when to take your shirt off' Henrietta Butler/PAL

The movements of the "survivors" were the basis for the choreography. Their faces are shown on the videotapes that *play throughout the piece. The* score includes sound tapes of their voices, together with songs, composed by Kenneth Frazelle, based oo their words.

Still/Here uses the same gun-to-the-head psychology as Jones's other shows. If audiences are implicitly required to applaud any show dealing with *the evils of racism and homo*phobia, what can be their ettitude toward a show that confronts them with innocent people facing death?

This time, Jones is not abrasive. In contrast to his previous work, *Still/Here* is anodyne. The choreography depends on dancers falling (illness), other *dancers supporting* them (sympathy) and everyone gazing up into the light (search for meaning).

Meanwhile, the voices of the "survivors" boom through the auditorium saying the aame sad, but not especially incisive, things that most people say in the face of extreme suffering.

In the lists of "survivor" names that are recited in the course of the evening, the name Bill comes up often. We also hear his voice again and again on the sound tape, advising the workshop participants ("What would happen if you cried?").

But the most stunning act of self-regard comes in the finale. The company is dancing frenetically – an image, presumably, of fear – and a television is rolled onstage showing Jones, in close-up, speaking to us. "Can you picture your death? Can you own it and be responsible for it?"

One of the dancers pushes the TV set in and out among the other dancers, as if to spread its balm. Then he sits, fascinated, and simply watches Jones – an activity in which we are all invited to share. Having set himself up for so many years as our guilty conscience, Jones has now become our priest, our telavangelist.

According to a statement released by the company, the subject of *Still/Here* is not only the suffering of those who attended Jones's workshops. It is all people trying to "survive in, for instance, war situations, famine, genocide, racism, etc."

In many cities, the show will be accompanied by a "Managing Mortality" symposium, led by Jones. In Washington DC it was suggested that the symposium be staged at the recently opened Holocaust Museum. Somalia, Bosnia, Rwanda, the Jews, presumably the Palestinians as well ... no one is excluded.

Despite the shift in mood, Bill T. Jones has not stopped being angry. Earlier this year, he told The New York Times that he feels "angry and resentful that everyone isn't HIV-positive". Jones also becomes angry, he says, when he is identified as an "angry, HIV-positive black". But this, surely, is the identity on which he has built his work.

He gets angry, too, when people show compassion over his HIV status. "I can see in their eyes that they feel sorry for me," he told Newsweek, "that I'm already dead. And that makes me mad. When did I cross over?"

Actually, he crossed over into a special territory long ago, by presenting himself not *as an artist but as an icon, an* avenger. But if, now, he asks not to be accorded a special status, we should pay him this courtesy. He is right – he is still here, which makes him different from many Somalis, for example.

It is also time to stop according his work a special status. It is not church or therapy or history's courtroom. It is theatre and however grave its subjects, they are only adjuncts to his true aubject – himself, and what he sees as his power over us as our scourge, our desire, and our spiritual counsellor.

■ **Bill T. Jones's world tour continues until tha autumn, inclnding appearances at the American Dance Festival (July 20-22) and the Edinburgh Festival (August 25-27).**

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: with soprano Inga Nielsen, and mezzosoprano Elisabeth Laurence. Charles Dutoit conducts Lutoslawski, Debussy, Stravinsky and Bartók at 8.15 pm; Jan 12, 13, 14
GALLERIES
Van Gogh Museum Tel: (020) 570 5200
● Odilon Redon: retrospective of the French artist's work; to Jan 14
OPERA/BALLET
Het Muziektheater Tel:(020) 551 8922
● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 13, 15 (1.30 pm), 17, 19

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel:(030) 341 9249
● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 14 (6 pm), 17, 19
● Der Rosenkavalier: by Strauss. Conductor Jiři Kout, production by Götz Friedrich at 6 pm; Jan 15
● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 18
● Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 10, 13 (8 pm)

■ BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 84 34
● Abdel-Rahman El-Bacha: pianist plays Chopin at 8 pm; Jan 11
● Belgian National Orchestra: with soprano Zsuzsa Misura, baritone Andras Molnar and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12
GALLERIES
Musée d'Ixelles Tel: (02) 511 90 84
● Gainsborough to Ruskin: British landscape drawings and watercolours from the Pierpont Morgan Library in New York. Includes paintings by Constable, Turner and other 18th and 19th century artists; to Jan 15 (Not Mon)

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Briggite Fassbaender: the mezzo-soprano with the Academy of London conducted by Richard Stamp plays Beethoven and Mahler at 7.30 pm; Jan 16
● Faure: Requiem: City of London Sinfonia conducted by Harry Christophers plays Fauré and Mozart at 7.30 pm; Jan 20
● London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12
Queen Elizabeth Hall Tel: (071) 928 8800
● Cantabile: four man vocal harmony group consisting of counter-tenor Morgan Crowley, tenors Paul Hull and Mark Fleming and baritone Michael Steffan performs songs of love and war at 7.45 pm; Jan 17
● Messiah: by Handel. James Gaddam conducts the London Orpheus Orchestra and the London Orpheus Choir at 7.30 pm; Jan 15.
● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12
● The London Philharmonic: conducted by Elgar Howarth plays Gabrieli, Stravinsky, Birtwistla and Byrd/Howarth at 7.45 pm; Jan 16
GALLERIES
National Gallery Tel: (071) 839 3321
● The Young Michelangelo: small exhibition of the artist's early work. Part of the 'Making and Meaning' series; to Jan 15
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 11, 14, 18
Royal Opera House Tel: (071) 340 4000
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Jan 14
● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó. In Italian with English surtitles at 7 pm; Jan 18
● Othello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English eurtitles at 7.30 pm; Jan 13, 17, 20
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 18, 19
THEATRE
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer et 7.30 pm; Jan 17, 18 (2.15 pm), 19
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 9, 10 (2.15 pm), 11, 20,

■ NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● Garrick Ohlsson: pianist, begins a aix recital series covering the complate solo piano music of Chopin at 3 pm; Jan 15
GALLERIES
Museum of Modern Art Tel: (212) 708 9480
● Cy Twombly: Comprehensive retrospective of the contemporary American artist; to Jan 10
OPERA/BALLET
Lincoln Center Tel: (212) 721 6500
● Heather Watts Final Performance: New York City Ballet principla dancer Heather Watts gives her last performance in Georga Balanchina's 'Bugaku' and Peter Martins' 'Valse Triste' at 7 pm; Jan 15
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 11, 14 (1.30 pm), 18
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 9, 14, 17
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 12, 16, 20
● Madama Butterfly: by Puccini at 8 pm; Jan 10, 13
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts tha opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 19

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Choir and Orchestra of the Kirov Opera: with soprano Valentina Taidipova, mezzo-soprano Olga Borodina, tenor Gegam Grigorian and conductor Valery Gergiev plays Vardi's 'Requiem' at 8.30 pm; Jan 10
● Nathalie Stutzmann: contralto and pianist Inger Södergren plays Schumann, Debussy and Tchaikovsky at 8.30 pm; Jan 17
● Virtuosos of Moscow: violinist Vladimir Spivakov plays Haydn, Bartók and Tchaikovsky at 8.30 pm; Jan 16
GALLERIES
Grand Palais Tel: (1) 44 13 17 17
● Gustave Caillebotta: retrospective of tha painter and patron of art who belonged to the circle of impressionists; to Jan 8
Musée d'Orsay Tel: (1) 45 49 11 11
● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with soprano Elizabeth Futral, mezzo-soprano Claudine Carlson and the Choral Arts Society of Washington. Leonard Slatkin conducts Ravel and Mahler at 8.30 pm; Jan 12, 13, 14, 17 (7 pm)
● Washington Chamber Symphony: Stephen Simon conducts Bach and Haydn at 7.30 pm; Jan 20
● Yo-Yo Ma: tha cellist along with pianist Emanuel Ax, violinist Pamala Frank, clarinetist Paul Meyer and flutist Euginia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11
OPERA/BALLET
Washington Opera Tel: (202) 418 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 8 (7 pm), 13, 18 (7 pm)
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In *English at 8 pm; Jan 19*
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14 (7 pm), 18, 20

WORLD SERVICE

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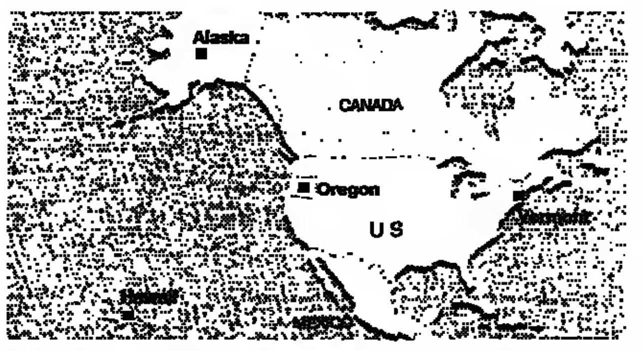
Financial Times Business Tonight 17.30

Financial Times Business Tonight 00.00 midnight

Samuel Brittan

How to downsize the US today

One of the more thoughtful BBC New Year'e eve programmes, presented by Christopher Hird, was devoted to one message: the irrelevance of traditional politics in the face of financial globalisation.



How far is it true? And if so, what follows? The wrong moral is that the political units have to be large. The correct moral is that the limits to government action are now more quickly apparent. The proportion of the national income of the main industrial countries invested overseas is less than it was at its peak before the first world war. The change is in the speedier transmission of information and money. The net flows across the exchanges are the difference between far larger flows which offset each other over hours or minutes.

But the interaction is two-way. Just as governments watch financial markets, the markets themselves watch governments. The White House official who observed that he would exercise more power in the bond markets than he ever would as president of the US was, to say the least, exaggerating. Rapidly reacting capital markets do, of course, make some policy options more difficult. Fixed, but adjustable, exchange rates of the Bretton Woods or ERM types are probably no longer a realistic option; and a straight choice has to be made between floating and e full monetary union with partner countries. But e monetary anthority that is really sure of its ground does not have to follow bond markets slavishly in setting its short-term rates.

It is also necessary to pay the more mobile factors of production the going world rate of return. Again the proposition should be stated carefully. Net managerial and professional salaries have to be broadly comparable across borders. But tax rates can still vary so long as pre-tax salaries are correspondingly greater in the high-tax countries. Countries can also survive with above-average "social" levies on wage bills, provided that citizens are prepared to offset these costs by lower take-home pay.

Moreover, financial globalisation does not dictate the size of political units. Indeed, many existing units may be too large. Western governments made enormous mistakes in trying to set up post-colonial unions, such as the ill-fated Central African or Caribbean federations. They repeated the mistake in supporting unions such as the Soviet Union or Yugoslavia for far too long. And they have continued to talk nonsense about Chechnya being an internal Russian affair, while overlooking that Russia is itself a federation imposed by Tsarist conquest.

The moral applies for the west. As US managers have pioneered "downsizing" business operations, It is poetic justice that Thomas Naylor, a former Duke University economics professor, should now propose "downsizing the USA"*. He believes it is futile for the White House or Congress to impose Washington-based solutions for problems such as poverty, homelessness, racism, drug abuse, violent crime, child abuse and inadequate education. For the US conspicuously lacks "a well-defined sense of community or attitude of connection linking our 50 disjointed states".

Because the Confederate states tried to secede in the 19th century for reasons such as the preservation of slavery and racism, it does not follow that secession would be wrong today. Naylor suspects that secession today would be led, not by the south, bnt by states such as Alaska, Hawaii, Oregon and Vermont, above all the latter. He points out that Vermont's ehare of the $500bn ssvings and loan bail-out was $800m, even though it had no savings and loan bank failures.

He believes thet stetes already have the legal right to secede. But to avoid Caucasian-style catastrophes, America sbould plan for secessionist movements well in advance. Before Eurosceptics cheer too loudly, they should note that Naylor favours continuing with e single currency for all the states and also establishing a mutual defence alliance.

There is room to debate whether the best formula is e confederation like Switzerland or a strong but limited state with responsibility for currency, security, defence and trade. Naylor perhaps overidealises Switzerland, where "children are taught the virtues of self-sufficiency, hard work, co-operation and loyalty to family and community" and where welfare is edministered by 26 very small cantons.

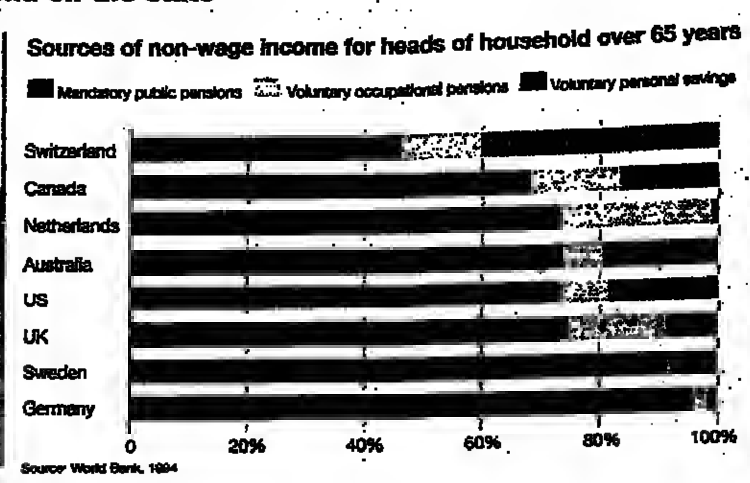
The European Union is still very weak in those main functions which are best exercised centrally, and mucb too beavily involved in matters such as common agricultural market rigging or labour market and environmental regulation, which are best handled locally. It would not be a model that many would want to build if it did not already exist. Fortunately federal superstates and reactionary nationalism are not the only alternatives for the future.

Challenge, December issue, M.E. Sharpe, 80 Business Park Drive, Armonk, New York 10504

Save now, spend later

Europe can learn from Chile's pension reform, say **Norma Cohen** and **David Pilling**

How the old depend on the state



Source: World Bank, 1994

Europe's social security systems are in danger of collapsing under their own weight, according a study from the Federal Trust released today. The study urges the European Union to agree a new directive requiring governments to gradually wean their citizens off the generous state pension benefits financed with taxes on existing workers and encourage people to save more for their old age.

The conclusions are similar to those in e World Bank study published last autumn which warned that unless countries begin planning now, their social security systems will be beyond reform in the next century when pension payments will constitute the lion's share of government spending.

Ironically, it is Latin America, for years a symbol of economic mismanagement, that is attracting the interest of European pensions experts. Several countries thera, particularly Chile, appear to be successfully making the transition away from state-funded pensions to a largely privately-funded pension system.

"Chile concluded in 1979 that even if inflation fell to zero and the economy grew et the projected rate, the country's entire gross domestic product would eventually have been required to meet the pensions promises as they were then," says Mr David Callund, partner at Callund and Co, an actuarial consulting firm specialising in Latin America.

For Chile, the benefits of reform have been remarkable. According to the World Bank, financing tbe state's guarantees to retired people will cost less than 1 per cent of GDP. The remainder of pension provision is financed by savings – employees are required to save 13 per cent of their pay.

Admirers of Chile's reform say it has produced better pensions – about 40 per cent higher than before – and created a pool of savings that has stimuleted economic growth. Pension assets are now worth $18bn, or 40 per cent of GDP, and provide an important source of finance for the private sector.

In continental Europe, most pension provision is financed on a "pay as you go" basis, rather than by savings. Tbe taxes and social security contributions paid by employees and employers are used to pay pensions to those wbo have retired.

But as people are living longer, the ratio of workers to retired people is falling – and that means a bigger burden to support pensioners for those in work.

"If we don't change our structure, social security contributions will more or less double over the next 30 years Europe-wide," says Mr Koen de Ryck, who heads the European Federation for Retirement Provision, a group urging pension reform.

In much of Europe, governments have responded with reforms to their pension systems, raising taxes and trimming benefits. But that has not always proved popular: in Italy, for example, 1.5m workers took to the streets to protest against proposed benefit cuts needed to reduce the government's deficit, foreing the Berlusconi government to postpone its plans.

The intensity of the reaction is hardly surprising, since, as the chart shows, pensioners in industrial countries currently depend overwhelmingly upon the state.

This degree of dependence on the state also makes the idea of big changes in state provision highly unpopular. Inevitably, most European pensions experts believe that the radical reforms of the Chilean model – imposed under a military dictatorship – could not be applied to Europe.

"The Chilean experience cannot be exported," says Mr Danieli Pace, head of Centro Europeo Richerche, an Italian research institute. "They built that experience with tanks. In Italy we have a bttle problem called democracy."

However, other Latin American countries such as Argentina, Colombia and Peru – all of them democracies – are putting in place pension reforms similar to Chile's and without mass protest.

Mr Callund argues that the central ingredient in getting Chileans to accept reform was not their fear of the euthorities, but their fear that the existing system would never deliver its promises. The problem about introducing similar reforms in Europe is thet despite the frightening projections about the tax burden, most Europeans still believe that promises can and should be met.

In France, for example, the government has attempted to ensure that benefits can be paid by tinkering with the system. It has increased the number of years workers must contribute to receive full pensions and tied annual inflation adjustments to prices which rise more slowly than wages.

"The Frencb like crisis," said Mr Emmanuel Reynaud, director of IRES, e French think-tank. "But the scbemes are working now although their rate of return is going down. It is not on the point of collapse."

And in spite of the high levels of contribution required of employees and businesses, the political climate in France is deeply suspicious of those wbo "want to destroy the community of interest between employer and employee", he said.

The main problem in converting from e pay-as-you-go system into a funded system, Mr Reynaud said, "is that one or two generations have to pay twice". Current generations would have to continue paying their taxes and social security contributions to pay existing pensioners, wbile building up personal savings to pay for their own pensions.

Governments will therefore have to offer fiscal incentives to persuade people to save long-term for their retirement – a move that will create still larger budget deficits.

This "funding gep" was closed in Chile by increased public borrowing, through government bonds that offered returns above the rate of inflation. The private-sector fund management companies set up to invest employees' pension contributions were required to buy these bonds.

(Tbese investment restrictions have now been relaxed since tbe growtb of assets under management has been so swift – privete pension schemes can now invest in corporate bonds, foreign debt and equities.)

However, Chile had a public sector surplus at the time it instituted pension reform. European states are already heavily burdened with public-sector debt and are unlikely to be able to follow this route.

Moreover, Chilean pension reform came about as part of a wholesale reform of the domestic economy which included easing foreign exchange controls and a widespread programme of privatisation. This gave rise to strong economic growth which in turn helped invested assets outperform inflation.

European pensions experts say thet enthusiasts for the Chilean model tend to gloss over its shortcomings. One is the spiralling sales costs created by fierce competition between the fund managers as they compete for new members.

Another is e growing problem of employees evading the compulsory contributions. Also, the guaranteed minimum of 20-25 per cent of national average earnings is too low to be acceptable in many industrialised countries.

But even if the Chilean experience cannot be replicated easily in western Europe, pensions experts believe that the countries of eastern Europe could learn much from it. In these former communist countries, governments urgently need an alternative to pay-as-you-go systems that pay low benefits to large numbers of people. Mr Callund notes that the macroeconomic picture in some east European states is similar to that facing Chile in the late 1970s.

And while there are political and fiscal obstacles in western Europe to converting from pay-as-you-go pensions to a funded system at a stroke, the transition is one that will have to be made – if only gradually. How each country makes that transition will reflect not only its demographic and macroeconomic setting, but its cultural traditions.

LETTERS TO THE EDITOR

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Labour's pursuit of City support

From Mr James Forder.

Sir, Professor Buiter (Letters, January 4) writes that the threat of a City "test" of e Labour government sbould lead Labour to commit itself to the City's favourite proposal – Bank of England independence. But what claim would Labour have to being either the party of justice or of sound economic management if it were to give in to such special interests?

It is not as if City approval is a true mark of good policy. The City heartily approved of the Lawson boom until too late – test passed, but policy disaster. Economic success, on the other hand, only awaited former chancellor, Norman Lamont's failure to "reassure" the City that sterling would stay within the exchange rate mechanism.

Furthermore, many current problems can be traced to years of basing policy on the maintenance of "coincidence", favouring City interests over manufacturing and most recently the hysterical pursuit of ever-lower rates of inflation, with astonishing disregard to the interests of manufacturing.

What is required of Labour is a balanced approacb to the interests of manufacturing and other sectors and emphasis on long-term goals, not appeasement of City speculators.

But Bank of England independence pulls the other way, seeking to hand over policy-making to City interests. For Labour to turn the Bank into a privatised quango to pursne low inflation might win City favour, but it would let down the country.

James Forder,
fellow in economics,
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Newt and his mother

From Ms Eileen O'Connor.

Sir, Newt Gingrich, Speaker of the US House of Representatives, said the conduct of Ms Connie Chung was "despicable" ("Repnblicans bail an amazing day", January 5), referring to her interview with his mother. I would think that Gingrich would rather *admire* Ms Connie Chung. On his first day of service as Speaker she was able to publicly embarrass him by using the most unsuspecting weapon: his mother. How long did it take Gingrich to dig up dirt on former Speaker Jim Wright? Perhaps if he had hired Ms Chung...

Eileen M O'Connor,
20 Edgewood Road,
Glen Ridge,
New Jersey, US

Criteria for bonuses

From Mr Philip Daubeney.

Sir, Jim Kelly refers ("Disclosure of board bonuses increases", January 4) to the fact that e number of electricity companies, which appear to be picked et random, had based bonnses on five different sets of criteria.

This is hardly surprising as, of the five companies named, four are of differing natures. Yorkshire Electricity is an English regional electricity and energy company; Scottish Power is both a Scottish regional electricity company and a generetor; National Power and PowerGen are English and Welsh generators; and Nuclear Electric is a nuclear generator still in the public sector. Therefore, it should come as no surprise that such a group of leading companies, albeit all in the electricity industry, use different criteria when setting out their policy on bonuses.

Philip Daubeney,
chief executive,
Electricity Association,
30 Millbank, London SW1

Institutions' monstrous view on liability for clients

From Mr R Sturmer.

Sir, I refer to your report, "Fund managers face demands from banks to identify clients" (January 5). Two years ago I raised the matter with the Financial Law Panel because of the potential financial problems that could ensue from the attitudes of many leading investment managers.

As the director responsible for compliance and risk of an institutional stockbroker, I was greatly concerned to receive from many institutions letters stating that they had no liability for their clients as they were acting only as agents.

It seemed monstrous that our leading insurance companies, pension fund managers and discretionary investment fund managers should be adopting this attitude, even if legally tbey may bave been within their rights to do so.

Brokers almost always acted as agents, and one could envisage a situation where it would have appeared that the market consisted only of agents dealing with each other and with no one prepared to take the responsibility.

However, it raised another question. If the broker had to rely upon the undisclosed client, how could he know his customer as required by the regulators?

We also found the institutions unwilling to divulge information about their clients and so, if we wanted to continue doing business, we had to adopt the attitude that the risk was minimal and thet no honourable institution would in fact rely upon its disclaimer; but these days who knows?

I never had the guts to suggest to the writer of the letter that I would contact his chairman to ask whether he was aware that his organisation was prepared to do business in this fashion.

The institutions have only themselves to blame if tbey find they are under attack.

R Sturmer,
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Turn rail into road

From Mr Alan G Saunders.

Sir, While stuck in the (now seemingly inevitable) traffic jam going south on the M6 a few days ago we were, for a good half-an-hour or so, in close proximity to the main West Coast Railway.

During that time one train went by. That is, one train in a period of more than 30 minutes and on a track which took up as much space as the motorway which was clogged with traffic.

It is apparent that the railways have been in decline now for decades and that e dramatic rethink is necessary. To tarmacadam present railway tracks and to open them up to commercial traffic (freight and passenger buses) would not only relieve congestion on the motorways but would also provide direct access to city centres for public transport and commercial vehicles.

If the present rail privatisation proposals are enacted then one can only assume (and hope) that the commarcial facts of life, which bave thus far been ignored, will dictate that a more efficient use is made of this country's slender land resource.

Alan Saunders,
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Why the Middle East peace process has stalled

From Mr Graham Watson MEP.

Sir, Your leader, "No peace for the timid" (January 4), is supported by the experience of a small group of Liberal Democrat MPs, which visited Israel just before Christmas. Our meetings with Israeli and Palestinian leaders suggested to us that the peace process has stalled for three main reasons.

First, neither side is able to rein in its extremists. Second, the Lib-Lab coalition's freedom of manoeuvre is restricted by the unpopularity of its domestic policies at home. Finally, no wey has yet been found of bringing Syria into the equation; and Syria is essential to a lasting Arab-Israeb peace.

The difficulty also lies, however, in the fact that the prize-giving ceremonies are over, the TV lights are switched off and the protagonists for peace must now get down to the nitty gritty. The international community has invested so much in peace that it must not let the initiative fail.

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González on the wane

Mr Felipe González, the Spanish prime minister, has presided over his country for 12 years, two-thirds of its period as a modern democracy. He has brought Spain into the mainstream of European integration, greatly increasing its standing in international affairs. Yet ever since he won the general election in June 1993, the star of Mr González'e minority Socialist government has been on the wane.

The latest allegations of government corruption and wrong-doing, together with the slide of the peseta on the currency markets, have heightened the impression that the prime minister has lost his grip. Spain appears in the throes of a spell of political uncertainty that could eventually bring early general elections.

Mr González bears a varying degree of responsibility for his woes. The man hailed as the unifier of the Spanish left has proved incapable of healing his party's factional quarrelling, and of grooming a successor from within its ranks. Other misfortunes stem from misbehaviour by subordinates. The recent accusations against former security chiefs suspected of organising an undercover war against Basque separatists 10 years ago, though serious, are not by themselves sufficient to drive Mr González from office. Yet these allegations, extending the series of scandals of the past three years, have wrought fresh damage to Mr González's image and credibility.

Lacklustre opposition

The Catalan party CiU, on whose support Mr González relies to stay in power, has said it will continue to back the government. The conservative Popular party, headed by Mr José María Aznar, has thus far been a lacklustre opposition. But if the party achieves a victory in the May regional elections similar to its sweeping win in last June's European elections, a move to topple Mr González would become feasible.

On the economic front, progress in reducing the budget deficit has been uncomfortably slow; the official 24 per cent unemployment rate, while over-stating the true position, underlines how far Spain still has to go to modernise its economic structures. Nonetheless Mr González has achieved some economic successes. He has introduced long-overdue reforms to relax hiring and firing rules without sparking serious trade union unrest – an accomplishment that Mr Aznar might envy. The government is pushing forward telecommunications liberalisation, pensions reform and deregulation of other protected sectors. After three consecntive years of economic growth well below the European average, the OECD is forecasting 1995 grose domestic product growth of 2.9 per cent, in line with Spain's EU partners.

Inflation fears

Unfortunately for Mr González, accelerating domestic demand and the falling peseta have sparked fears that inflation – now an underlying 4.4 per cent – could soon rise. These worries, coupled with Mr González's political setbacks, have provoked strong selling on the securities markets, driving up peseta yields to more than 4 percentage points above those on D-Mark bonds, and forcing the Bank of Spain last week to raise its benchmark money market rate from 7.35 per cent to 8 per cent.

If the interest rate rise chokes off the recovery, Mr Gonzalez's political difficulties will intensify. However, the government still has an important agenda to fulfil. It must continue to confront the serious structural problems besetting the economy. During Spain's EU presidency in the second half of the year, the government will have to rally international support for its plans to shift EU resources towards the Mediterranean region and north Africa.

In all these fields, Mr González can increase his room for manoeuvre through active steps to free his government from the taint of impropriety. Yet the corruption scandals will loom less large if he also successfully tackles fundamental economic questions. There is too much to be lost by not regaining and increasing momentum on economic reforms.

Mr Gonzalez now needs to demonstrate decisively not only that he can reassert his grip on party and policy but that he wants to. He must also quickly find a potential successor to help him to do it.

The task for Tony Blair

Six months into his tenure as Labour leader, Mr Tony Blair can already claim to have turned his party into a more effective opposition, as well as an unprecedentedly popular one. He has adeptly exploited the divisions in the Conservative party over economic management and Europe, and waged a skilful campaign against the government's tax increases. He can also claim progress in repositioning Labour in the public consciousness.

For all these gains, however, Mr Blair's task is only beginning. Next comes the battle over replacing the socialist romanticism expressed in Clause IV of the party's constitution – a struggle he must win by securing an unambiguous statement of social democratic values without making backstairs concessions to the trade unions. Beyond that, he needs to establish a coherent alternative to Conservative rule. He must start showing that after more than 15 years in opposition Labour understands the realities of government.

Many in the party clearly do not. Even in the shadow cabinet, there are those who think it enough for Labour to rest on its 30-point opinion poll lead and take pot-shots at the Tories. Their judgement is doubly wrong. Economic recovery may refloat the government's fortunes. If it does not, Britain cannot afford its replacement by an administration without a credible programme.

Not that Mr Blair should be expected to produce this year a detailed manifesto. He has a right to pace himself and to leave precise judgements on, say, income tax rates until nearer an election. He can also argue that the countless policy documents Labour produced for the last two elections did more to obscure than illuminate its strategic position.

Greater clarity

But in a number of specific areas greater clarity is needed right away. Moreover, Labour must project a greater sense of how the policies it is currently elaborating fit together. Without such a conceptual framework, there is a risk that it will simply appear incoherent, as it has done over education in recent weeks.

The most important test will be the overall approach to the economy. Mr Blair has promised a target for growth to sit alongside that for inflation which he would inherit from the present government. He has not explained which macroeconomic levers a Labour government would pull to ensure that the two goals did not conflict, nor which would take precedence. If he is serions about sticking to an inflation target and eschewing crude demand management, he must admit that faster growth will result from long-term supply side reforms, not annual targets.

Welfare state

Another crucial area is the welfare state. Here Mr Blair appears to have understood what many in his party have long resisted – that higher public spending on social security benefits is a sign of failure not success. He also seems to appreciate that the best way to tackle poverty is to help people back into work. But he has heen short on specifics. As a starting point he could state whether he endorses the proposals of the Social Justice Commission to tax child benefit and cap increases in the state pension.

In education, Mr Blair could send an important signal by clearly endorsing the idea of using the tax system to ensure that those who benefit from higher education pay the cost. That is clearly the fairest way to finance the widening of opportunities he has promised. He would also do well to clear up recent confusion on schools, by demonstrating that the party accepts unequivocally the benefits of parental choice and devolved responsibility.

These are by no means the only areas in which Labour is currently vulnerable to charges of excessive vagueness or obfuscation. It now calls itself the party of Europe, for example, but has yet to provide much explanation as to what that might mean. Nearer to home, Mr Blair has yet to make a convincing case for his decision to set constitutional reform – in particular devolution in Scotland and Wales – as a first priority of an incoming Labour government.

Above all, though, his challenge this year is to demonstrate that Labour can do more than assist the Tories to self-destruct. He needs to show sceptical voters that Labour is capable of effective government as well as opposition.

Mixed offerings at the bazaar

Foreign fund managers have become more wary of the Indian market, say **Stefan Wagstyl** and **Martin Brice**

Shoppers seeking bargains in a bazaar often find that few items are as attractive as they seem at first sight. International fund managers who started 1994 with a great rush of enthusiasm for India have experienced much the same feeling.

In the past year, foreign investors have grown more aware of the possible barriers to progress both in the economy and in the stock market – including the technical difficulties of doing business in India's antiquated market conditions. There is also political uncertainty over the future of the government's economic reforms that have encouraged international trade and investment in the past three years.

But while investors are unlikely to display the same zest for India in 1995, most who have developed an interest in the country plan to persevere. They believe it offers enormous long-term potential, even if the immediate outlook is less than enthralling.

"India is one of the top three markets in the world for us. Not among emerging markets but among all markets," says Mr John Moore, head of the Bombay office of Barings, the UK investment bank.

The attractions of India remain unchanged. It is the developing world's second largest economy after China. Its 890m people offer huge markets, a large reservoir of cheap labour and pools of highly-skilled managers, engineers and technicians.

Unlike China, it has most of the basics of the capitalist economy in place, including a solid legal code, commercial banks and an active stock market. Many Indians speak English, the language of international business. The pro-market economic reforms launched in 1991 by Mr P.V. Narasimha Rao, the prime minister, are steadily removing the ehackles placed on free enterprise in the previous 40 years.

Foreign investors have put about $3bn into the Indian stock market and a further $4hn into international offerings made by Indian companies.

But interest from abroad has declined sharply in the past two months. In November, the last month for which figures are available, foreigners made net purchases in India of just $10.9m compared with a monthly average of nearly $200m for the previous six months. December's figures are expected to be similar. Fund managers have continued to buy Indian companies' international issues – but only after securing big price discounts.

A year ago, India was virtually a new market to foreign investors. A government ban on foreign portfolio investment was lifted only in late 1992. Fund managers started investing in significant amounts only in late 1993. But much of this rush has been accounted for by funds with negligible holdings of Indian paper buying their first $50m or $100m of stock. Now that they have established footholds in India, they are taking their time about expanding their portfolios – and combining fresh purchases with some selling.

There are reasons for their caution. First, the international climate for equities has generally turned sour following worldwide increases in interest rates, especially in the US. Emerging markets, which saw a surge of investment early in the year, are now mostly below their summer peaks, having fallen further after the devaluation of the Mexican peso last month.

In India, equities rose more than 100 per cent between mid-1993 and mid-1994. Those international investors who entered the market early caught the end of this surge; but those who invested after the summer have suffered from a sharp correction which has taken the Bombay Stock Exchange's index of leading stocks down by more than 15 per cent.

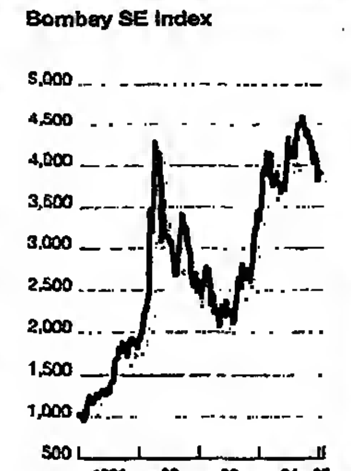
The archaic trading, settlement and share registration systems of the market have also put off some fund managers. The market is often not transparent and sometimes illiquid. Despite regulatory and administrative improvements, payments for shares can take a month to arrive and the registration of share ownersbip up to three months.

To avoid these burdles, many international investors prefer to buy international securities offered by Indian companies, mainly Global Oepositary Receipts which are traded on the lightly-regulated Euromarkets.

As Mr Nigel Rendell, emerging market strategist at James Capel, the UK broker, says: "Most people have steered away from investing directly in India, because of settlement problems. The GDR is the most efficient method of putting money in."

However, GDRs have some disadvantages. The 50 companies that have made issues are among the largest Indian companies, which tend to trade on higher multiples of earnings than smaller companies – making the shares more expensive to buy than the rest of the market. Small and medium-sized companies, which some fund managers believe have the best prospects in the fast-deregulating Indian economy, are barely represented on the Euromarket. Also, the market in Indian GDRs, capitalised at about $4bn, is much smaller than the $120bn domestic Indian market – making the prices more volatile.

India: nervous market



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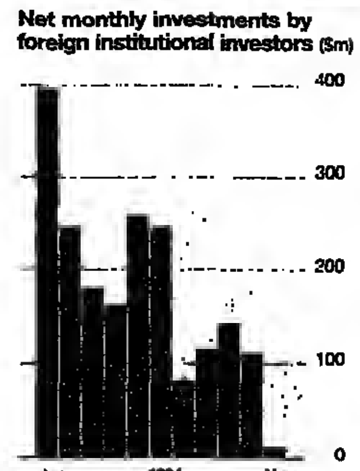


Source: James Capel, SEBI

Yet despite the technical problems, India has established itself firmly in the international investors' world. About 20 institutions are active on the Bombay Stock Exchange; more than 200 others have registered with the Indian authorities and are planning to invest at some point. Jardine Fleming, the Hong Kong-based investment bank, estimates the list of potential investors for south Asian stock is even larger – 602 investors bid in the recent $600m sale of shares in Pakistan Telecom, the telecommunications carrier. Jardine Fleming believes that a similar Indian offering would attract at least as many buyers.

However, few of these buyers are likely to rush into the market soon. The ruling Congress (I) party's defeats in the recent state elections has raised fears that the prime minister could relax control of public spending to recepture lost votes. This could push up interest rates and inflation, which is already running at more than 9 per cent, and stifle industrial growth.

The next annual budget, duc next month, is seen as a test of future economic policy. There is also concern that the electoral defeats could herald a prolonged period of political uncertainty, particularly if Congress fares badly in a second round of state elections in February.

Compounding these concerns is a worry about the scale of planned equity issues. In the domestic market, companies have already raised about $8hn in the financial year that started in April and plan a further $6bn before the end of March. In the Euromarket, they bave raised in excess of $2bn, with another $500m in the pipeline.

In addition, there is a growing flow of stock from the sale of government holdings in state-controlled enterprises. Investors are attracted to new issues because they are priced at discounts of up to 20 per cent to the market; but fund managers are selling other stocks to raise cash for the primary offerings – a clear sign of indigestion.

"The over-supply of stock is affecting the whole market," says Mr R Balakrisbnan, senior vice-president of DSP Financial Consultants, a Bombay broker.

Fortunately, the economy is recovering well from the stagnation of the early 1990s. Output is expected to grow by more than 5 per cent in 1994-95, up from 3.8 per cent last year. Mr Manmohan Singh, the finance minister, believes that annual economic growth of 7-8 per cent is within reach by the late 1990s.

If he is right, there will be ample scope for continuing sharp increases in profits, which rose 70 per cent at the net level last year and are forecast to rise 35 per cent in 1994-95. Profits growth, combined with the recent fall in share prices, has brought down the prire/earnings multiple – a key measure of value – from more than 25 to about 18 for the whole market.

Some investors believe these figures already make the market attractive. Mr Tristan Clube, director of Edinburgh-based Martin Currie Management, which runs the $270m India Opportunities investment fund, says: "It has been a difficult market to make money in this year. But if you come in at the start of 1995 you would be pretty impressed by India."

Others, including Mr Balakrishnan, argue that the scale of new issues overhanging the market will prevent equities from benefiting from the recovery in the real economy.

Mr Ajit Dayal, a director of Jardine Fleming's Bombay office, takes a middle view. "We see prices rising. But any sharp rally will not come until the second half of the year."

Foreign investors are still in the bazaar. But they are picking over the goods much more carefully.

A tax revolution in the making

MICHAEL PROWSE on AMERICA

Might the US become the first nation to base taxation on what people spend rather than on what they earn? It may seem improbable: no such revolutionary proposal is to be found in the Republicans' "Contract for America", their manifesto that will set the legislative agenda for the next few months. It contents itself with piecemeal changes such as a lower capital gains tax and child tax credits.

Yet the contract hardly represents the summit of Republican ambitions. Newt Gingrich, the new Speaker, regards it as a prelude to more sweeping reforms that will take years, rather than months, to devise and implement. Although no decisions have yet been taken on longer-term tax goals, the notion of exempting all savings from taxation appears to be gaining support – and not just among Republicans. There is, for example, the "USA" (Unlimited Savings Account) plan jointly advocated by Pete Domenici, the incoming Republican chairman of the Senate budget committee, and Sam Nunn, one of the most respected conservative Democrats in the Senate.

The idea of replacing ordinary income taxes with a levy on "consumed income" has been popular among academics since the late 1970s when a committee of experts led by Professor James Meade proposed this reform in the UK. Unfortunately, the concept is often misunderstood. Non-experts assume there are only two alternatives: direct taxes on income where the rate structure can be adjusted to ensure that high earners pay a larger fraction of income in tax; and indirect taxes on consumption such as sales taxes that are "regressive" because they are levied at the same rate on everybody.

The Meade-type reform favoured by Nunn and Domenici transcends these categories. In esseoce, the tax base for individuals would be ordinary income ptus net cash flow from financial transactions; borrowings or asset realisations would thus increase your tax liability, while purchases of equities or bonds would reduce it. It would be equivalent to a direct tax on income with an exemption for all forms of saving; since it would be paid by individuals, it could be levied at higher rates on the well-to-do. Businesses would also pay taxes based on cash flows: the corporate base would he sales revenues minus the cost of inputs purchased from other companies, such as plant, equipment and inventories.

Why is so profound a tax reform even remotely feasible? In the first place, the new Republican Congress seems more open to radical ideas than any in recent memory. If a consumed-income tax ever received a fair public hearing, the battle would be half won. There is also acute concern over the complexity of the present tax code, especially for businesses. Much of the complexity is caused by attempts to measure the economic return on assets, which is what economists mean by income. By basing taxes on cash flows, the Nunn-Domenici plan avoids most of these difficulties: there is no need, for example, to make allowances for either depreciation or inflation.

The more fundamental reason why the reform could attract bipartisan support is the growing concern about the chronically low US savings rate. Having reduced the budget deficit in order to increase investmeot and productivity growth in the longer term, the White House can hardly oppose a measure that would produce similar benefits by stimulating private savings.

There is also a potent social argument for eliminating the double taxation of saving inherent in conventional income taxes, where the income from savings accumulated from taxed earnings is itself taxed. Since Republicans hope to trim the public safety net, individuals need to save more to guarantee their own economic security.

Some economists argue that exempting savings from taxation would do little to boost savings rates: the increased incentive to postpone consumption would be offset by an "income" effect – people would feel wealthier as a result of the reform and so less inclined to save. Rudy Penner, a former director of the Congressional Budget Office and one of the authors of the Nunn-Domenici plan, believes such pessimism is unjustified. In aggregate people would not feel wealthier because the new rate schedule would be set to ensure that there was no loss of federal revenue, despite the exemption for saving.

He points out that, at every income level, some individuals save beavily while otbers save almost nothing. The new tax regime would penalise the profligate and reward the prudent. Once Americans adjusted to the new fiscal climate and grasped that one of the principal determinants of their tax bill would be the level of their saving, behaviour would surely change.

Perhaps the strongest objection is the alleged difficulty of the transition. Owners of financial assets have accumulated them out of taxed income. If they were taxed when they consumed these assets, they would face double taxation. This is a genuine problem but the same argument could be made (but never is) against the introduction or extension of a value-added tax.

In any case it applies with force only to a small minority of affluent individuals: most Americans have few assets besides their houses and occupational pensions. There is no reason to feel too sorry for these wealthy losers. In the longer run they would benefit greatly from tax-free saving and from the enhanced dynamism of an economy liberated from income tax.

OBSERVER

Greeks baring arms

■ France begins its presidency of the European Union with the abrupt discovery it's not the only country highly sensitive about the status of its language.

Alain Lamassoure, the French European affairs minister, recently triggered a thunderbolt from Mount Olympus by suggesting the number of EU working languages be reduced from nine – including Greek – to five: English, French, German, Italian and Spanish.

Greek diplomats, MEPs and intellectuals are now campaigning against any downgrading of the language of Homer, Plato and Papandreou. They expected better of France, whose president Valery Giscard d'Estaing made a speech in correct but curiously accented Greek when Greece joined the EC in 1980. Yannos Kranidiotis, deputy foreign minister, will take up the cudgel in Paris this week.

Yet surely the languages of the EU's smaller members must face a difficult time, as the Union expands? When it had 12 members and nine languages, up to 33 interpreters were required to cover a meeting; with Sweden and Finland joining the number rises to 110. The advent of Poland, Slovenia or the Czech Republic could reduce proceedings to a modern tower of Babel. Anyone want a job as a Finnish-Slovenian interpreter?

Mural mourning

■ The Marquess of Bath says the £5m Titian painting stolen from the state drawing room of his Longleat House beld no sentimental value for him, although he is, understandably, grieving its loss.

He appears far more at home with the erotic murals – his own work – adorning his private apartments. These have the advantage of being part of the masonry – and thus relatively thief-proof – and, since being included in the official tour, have proved popular among visitors to his 9,000-acre estate.

But the Titian work – Rest on the Flight into Egypt – certainly leaves a gap. Perhaps time for the 62-year-old Marquess to get out his paints and brushes?

Counter offer

■ Fast-food manufacturers feeling the need to douse their gravy with some *gravitas* often turn to sponsoring academic research. Now US Mexican food company Taco Bell is spicing up its menu by seeking "a recognised scholar to fill the Taco Bell Chair in Real Estate Management" at the University of California. Send in your cv and three referees but please – no home-grown recipes for re-fried beans.

'Once the oil's run out, we'll have nothing left to abolish'

Bonn voyage

■ After only 18 months, Peter Hartmann, Germany's ambassador in London, is returning to Bonn, where the former foreign policy adviser to Chancellor Kohl has landed a plum job as one of the foreign ministry's two state secretaries.

A member of Kohl's Christian Democratic Union, Hartmann is returning to give the CDU a foothold in the foreign ministry, which for two decades has been the preserve of the liberal Free Democrat party, Kohl's junior coalition partner. Jürgen Oesterheld, a career diplomat and currently ambassador to Turkey, is taking over the London post.

Hartmann has enjoyed enhanced status on the diplomatic circuit thanks to his close relations with Kohl, though he has been rather less of a *bon viveur* than his predecessor, Hermann von Richthofen. One habit he's picked up – the seasoning of dinner party speeches with English-style jokes – may have to go once he's back in the ever-sober Bonn.

Russian bet

■ Chechnya may be making Russia's economic prospects bleaker than ever but Thomas Blake, a 26-year-old defector from N.M. Rothschild, takes the long view. He bas just passed the exam – with flying colours – to be a member of the St Petersburg Stock Exchange, possibly the first foreigner to join a Russian stock exchange.

"Everyone else was going to Moscow, so I bet there might be a good niche in St Petersburg," he says. After four years with Rothschild he went into the import-export trade, got to know Vladimir Gorbunov, chairman of St Petersburg's stock exchange, and has never looked back. Gorbunov put him in touch with a good partner; Blake plans to repay him by introducing foreign investors to St Petersburg's infant stock exchange.

There are only 20 shares listed at the moment hut Blake is bullish: "My time frame is not one year but five to 10 years. By then Russia could be comparable with the US stock market." With that sort of time frame no wonder he quit Rothschild.

God's law

■ A biologist, an architect and an economist were arguing over God's early training. "He was a biologist," says the biologist, "otherwise how could He have created all living things?"

"But before that, He built heaven and earth, so must have been an architect," says the architect.

The economist raises an eyebrow: "Where do you think the chaos came from in the first place?"

FINANCIAL TIMES
Monday January 9 1995

Rightwing group adds to pressure on PM

Japan coalition at risk as partner faces split

By William Dawkins in Tokyo

Japan's coalition government will be under pressure this week from the threatened break-up of the Social Democratic party, second-largest member of the three-partner alliance and headed by Mr Tomiichi Murayama, the prime minister.

A defection attempt led by members of the SDP's right wing weakens Mr Murayama's authority on the eve of his departure for Washington for a summit with President Bill Clinton on Wednesday.

Fortunately for Mr Murayama, there are no urgent trade disputes for resolution at the summit, which is focused on improving ties during the 50th anniversary this year of the end of the second world war.

Four leading members of the SDP, formerly the Japan Socialist party, spent the weekend seeking support for the formation of a centre-right group, intended to be the nucleus of what they hope will become the third-largest party. It would back the government for the time being, but stand against government parties in local elections in April and an upper house poll in July.

The group, provisionally named the New Democratic League, will hold its first meeting today. Its leader, Mr Sadao Yamahana, former SDP chairman, plans to register as a parliamentary group – precursor of a party proper – before the next parliamentary session on January 20.

Political analysts believe Mr Yamahana, who is supported by Mr Wataru Kubo, the SDP's second-in-command, may take between 10 and 40 defectors with him, depending on the success of his lobbying over the next week.

The break-up of the SDP has been widely expected, as a consequence of discarding nearly all its old policies to enable it to share power with its old conservative enemy, the Liberal Democratic party, after ousting the previous coalition government last June.

This is the latest stage in the production of a fresh Japanese political line-up, after last month's formation of the New Frontier party from the merger of nine small groups of mainly former LDP politicians.

However, the SDP break-up attempt has come earlier than many expected, in spite of efforts by the SDP leadership to persuade Mr Yamahana to delay. One of his supporters said the split was needed now to give the group time to prepare for local elections. This was the last chance to set up a three-party structure – LDP, NFP and the new group – he argued.

The LDP moved swiftly at the weekend to try to patch together the coalition by offering an electoral pact with alliance partners in 30 districts in lower-house elections, a useful offer considering the power and wealth of its local support groups.

Mr Yoshiro Mori, the LDP's number two, criticised the breakaway plan and reminded would-be SDP defectors that Mr Murayama was still their boss.

Çiller pledges to relax laws on freedom of expression

By John Barham in Ankara

Mrs Tansu Çiller, the Turkish prime minister, has promised to remove a constitutional clause used to control the media and political opponents, after growing international criticism.

Mrs Çiller said she would seek to remove article 14 of the Turkish constitution, which prohibits any activity threatening the "indivisible integrity of the state" or "endangering the Turkish state and republic".

In December, a security court sentenced eight Kurdish MPs to 15 years in jail for advocating separatism and violating Turkey's strict anti-terrorism laws. The verdict provoked widespread international criticism, and was an important cause of Turkey's failure to reach agreement on a customs union with the European Union last month.

On the eve of the EU meeting, Mrs Çiller offered to bring Turkish legislation into line with the European Human Rights Convention. Although Turkey is a signatory, its laws violate the convention's provisions guaranteeing freedom of expression.

Officials hope her latest proposal, part of a package of wider political reforms, such as lowering the voting age from 21 to 18, will defuse European opposition to customs union. A new meeting on union is expected to be held in Brussels in March.

The constitution was written by generals who seized power in a military coup in 1980. The coalition government planned to introduced a political liberalisation package in 1991, but has introduced few changes.


Tansu Çiller: proposal is part of a package of wider political reforms

Mrs Çiller called in March for the eight Kurdish MPs to have their parliamentary immunity lifted, allowing them to be prosecuted. The government had also ordered an escalation of the security forces' war against the separatist Kurdistan Workers party in south-eastern Turkey.

Despite Mrs Çiller's proposals, the government is showing little sign of easing its harsh press controls. Istanbul police, on orders from an anti-terrorism court, yesterday seized editions of Ozgür Ulke, a pro-Kurdish Turkish-language daily newspaper. The court ruled that four articles in Saturday's edition and an editorial yesterday contravened strict laws against advocating separatism. Ozgür Ulke appeared in other parts of the country because the court decision covered only papers printed in Istanbul.

Kurdish hopes founder on warlords' rivalry, Page 4

BA chief hints at possible settlement with Virgin

By Neil Buckley in London

Sir Colin Marshall, chairman of British Airways, has hinted that an out-of-court settlement may still be possible with Mr Richard Branson's Virgin Atlantic airline over the "dirty tricks" affair.

His comments came as Virgin Atlantic charged that BA was still engaging in "anti-competitive behaviour".

Virgin said it received signed affidavits over the past few weeks from passengers who said they had been approached by BA staff trying to persuade them to switch flights to BA.

Sir Colin, speaking publicly for the first time since a US court gave Virgin the go-ahead last week to bring a near-$1bn anti-trust case against BA, said he was "disappointed" that the judge had dismissed only five of Virgin's claims, allowing the central three to stand.

However, he suggested both sides might baulk at the high costs of a US legal case.

"We are clearly considering our position in respect of the three [claims] that remain and recognising that it is probably going to take two years before the case comes to trial and recognising that the costs have to be borne by the individual parties, irrespective of the result," said Sir Colin. "I think the other side may be thinking about that one, too."

Sir Colin repeated his view that there was "no case to answer" and that Virgin would not succeed with its action.

He said there had been no contact with Virgin since last Tuesday's ruling as it was "far too early".

But, asked if he would rule out an out-of-court settlement, Sir Colin responded: "You can never rule anything out."

Virgin is unlikely to be persuaded to drop its action, which alleges that BA has used its monopoly power at London's Heathrow and Gatwick airports to try to squeeze Virgin off transatlantic routes.

Mr Branson's airline claimed this weekend that BA was persisting with its efforts.

"We have affidavits from passengers from within the last few weeks, and anti-competitive activities [by BA] have gone on throughout this period. We will be fighting the antitrust case on that basis."

Mr Branson said he was "depressed but not entirely surprised" that the activities were continuing.

He said he was under legal advice not to discuss further details.

Virgin has claimed damages of $325m against BA, but US courts have the power to treble that under legislation on abuse of monopoly power.

BA's Heathrow plea, Page 5

THE LEX COLUMN

The Detroit Blues

No wonder the US automotive manufacturers were celebrating at their annual bash in Detroit last week. Vehicle sales in the US last year topped 15m; all three of the big groups are benefiting from a slew of new models and profits – for Ford and Chrysler at least – are at record levels.

But is this all just another example of auto industry hubris, 1990s-style? The stock market seems to think so.

Auto stocks are trading on 1994 price-earnings multiples little more than a third of the market average. Before their recent bounce, GM's shares had tumbled 45 per cent from the high hit before last February's turn in US interest rates.

With low interest rates fuelling domestic demand and a high yen keeping the Japanese competition at bay, it would have been hard for Detroit not to have staged some sort of a commercial comeback. But with more rate rises to come, demand growth is likely to slow. Moreover, the Japanese are clinging stubbornly to their 23 per cent share of the US market, the yen notwithstanding.

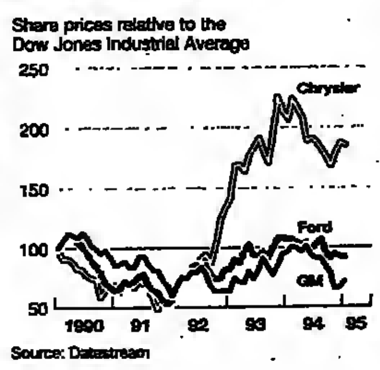
Nevertheless, assuming a further 20 per cent advance in profits this year, a prospective price-earnings ratio of about four for both Ford and Chrysler looks low. Both companies demonstrated last year they could make good new vehicles more efficiently than ever. And with the experience of the last downturn still fresh in their minds – and, in Chrysler's case, a big shareholder breathing down its neck – it seems likely they will be more careful than in the past with their growing cash mountain.

The biggest doubts hang over GM. While it can make money in financial services or computer systems, the world's biggest automotive manufacturer is yet to show it can make money from cars and trucks. The new management may be brushing up its act, but nearly four years into a recovery is surely too late to be going through the sort of "teething problems" GM has experienced.

One more good year in the US car market would at least leave the health of GM's balance sheet largely restored. And, provided the transfer of EDS shares to its pension fund receives approval, the company could also end 1995 without a pension deficit – an almost unimaginable position only two years ago. If vehicle sales continue to rise through 1996, GM's investors could then benefit from the sort of surging cash flow that has made holding Chrysler shares a worthwhile experience. But don't count on the Fed not to ruin the party.

US car manufacturers

Share prices relative to the Dow Jones Industrial Average



Source: Datastream

Japanese markets

The Nikkei finished the first week of 1995 with a sigh. The close, at around 19,500, was just below the mid-point of 1994's unusually narrow range of between 18,600 and 21,500. There is little reason to believe it will escape this band for at least six months. At this level the market is valued at 76 times prospective earnings, which even by Japanese standards is asking a lot of the corporate profits recovery.

Other measures of value more applicable to Japanese companies, such as cash flow or sales multiples, have barely moved during the past year because of a decline in corporate capital investment and stagnant company turnover. Rising real interest rates are another damper; while the yield on long-term Japanese government bonds has risen from 3 per cent to 4.7 per cent over the past year, that on equities has remained at 0.7 per cent.

With few signs that the Tokyo market can break out upwards, what are the chances that instead it will fall through the bottom of the range? The biggest risks are a share-price collapse in Wall Street or a heavy sell-off by foreign investors in Tokyo. Japanese equities are one of the few important asset classes where US and European investors are sitting on a capital profit, 20 per cent in dollar terms over the past year, more than half of which is currency gain. The dangers of a fall will be at their greatest in the autumn. By then it should be clear how sustainable the economic recovery will be.

Companies will also start to indicate the extent to which this year's earnings improvement can continue in 1996. It is at that point that foreign investors might be tempted to realise their gains. Given today's high multiples, the earnings recovery will have to be strong if the market is to avoid turbulence late in 1995.

Corporate disclosure

The principle of not fixing something that already works is a sound one. But something clearly needs to be done about the Stock Exchange rules on the disclosure of price-sensitive information. Details about recent takeovers, most notably De La Rue's bid for Portals, were known in parts of the market well before the companies revealed their intentions. That much was clear from the exceptionally high volumes traded prior to the eventual announcements.

For price-sensitive information to leak into the market is clearly unsatisfactory; all investors should have access to relevant information simultaneously. The problem is not new, but the increasing numbers of advisers involved in such deals may result in leaks becoming more common. In any case, the Stock Exchange's monitoring techniques mean such advantaged trading is picked up much more quickly.

The Stock Exchange is determined to introduce new rules designed to maintain orderly markets. It appears to have shelved proposals to reverse trades benefiting from sensitive information or to publish details of transactions. Reversing deals would be fraught with legal difficulties and would undermine the market's integrity. Publishing transactions would be expensive and bureaucratic.

The most significant measure to be implemented will probably be the exchange's ability to implement a trading halt of not more than 24 hours when unusually high volumes precede a price-sensitive announcement. Although this appears to undermine the principle of continuous trading, the exchange believes the rule will seldom need to be invoked before companies begin to reveal such information voluntarily.

The measure is not without danger; there is a risk the interests of shareholders could be damaged rather than helped if good deals are not concluded because of premature announcement. Much will depend on how the proposals are implemented. At best, they should be viewed as experiments. If they prove unwieldy, the exchange should go back to the drawing board.

FT WEATHER GUIDE

Europe today

A depression will move east over the Shetland Islands reaching southern Norway in the evening. Rain will fall in Scotland, Northern Ireland and northern England. During the evening, the rain will spread over the Netherlands, northern Germany, Denmark and southern parts of Norway and Sweden.

Gale force winds are expected in Scotland, the Low Countries, Denmark and northern Germany during the evening and night.

Most of France will have a relatively calm day, however, snow will fall in the Pyrenees and western parts of the Alps. Showers will develop in the central Mediterranean, affecting southern Italy, Greece, Crete and south-western Turkey.

Five-day forecast

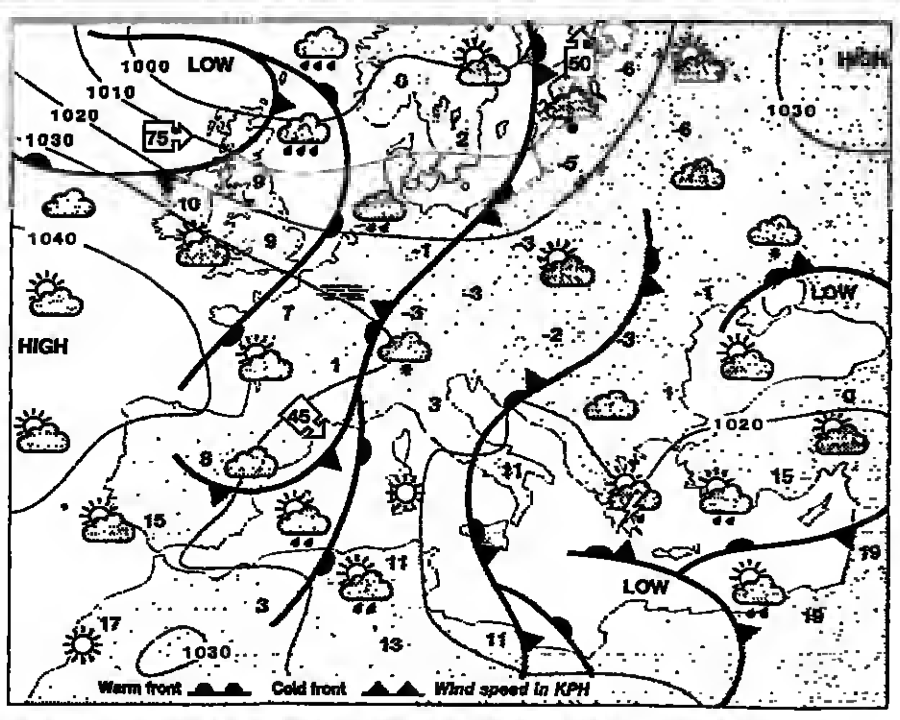
A depression over southern Scandinavia will draw Arctic air into the countries surrounding the North Sea.

Wintry showers, some accompanied by thunder, will develop.

It will be very rainy in central and western France due to a frontal wave.

More snow will fall on the western Alps and Pyrenees.

The Mediterranean will be very unsettled with showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	0	Caracas	fair	28	Faro	sun	18	Madrid	cloudy	11	Rangoon	sun	33
	Celsius		Belfast	windy	8	Cardiff	cloudy	10	Frankfurt	snow	0	Majorca	cloudy	13	Reykjavik	snow	-2
Abu Dhabi	fair	21	Belgrade	snow	-4	Casablanca	sun	17	Geneva	sleet	1	Malta	shower	13	Rio	thund	28
Accra	fair	30	Berlin	snow	-2	Chicago	snow	-6	Gibraltar	sun	16	Manchester	shower	8	Rome	sun	10
Algiers	shower	13	Bermuda	shower	20	Cologne	rain	3	Glasgow	rain	10	Manila	shower	29	S. Frsco	rain	15
Amsterdam	cloudy	5	Bogota	cloudy	24	Dakar	sun	25	Hamburg	rain	2	Melbourne	fair	26	Seoul	fair	0
Athens	shower	10	Bombay	shower	29	Dallas	fair	21	Helsinki	snow	-1	Mexico City	fair	23	Singapore	thund	27
Atlanta	sun	15	Brussels	cloudy	4	Delhi	rain	20	Hong Kong	fair	22	Miami	sun	22	Stockholm	fair	1
B. Aires	shower	24	Budapest	cloudy	-2	Dubai	sun	21	Honolulu	fair	27	Milan	sun	4	Strasbourg	sleet	0
B.ham	cloudy	9	C.hagen	sleet	3	Dublin	shower	10	Istanbul	cloudy	6	Montreal	fair	-6	Sydney	shower	24
Bangkok	sun	32	Cairo	sun	20	Dubrovnik	cloudy	10	Jakarta	thund	30	Moscow	cloudy	-6	Tangier	sun	16
Barcelona	cloudy	13	Cape Town	cloudy	27	Edinburgh	rain	10	Jersey	cloudy	8	Munich	cloudy	-3	Tel Aviv	fair	19
									Karachi	sun	25	Nairobi	cloudy	28	Tokyo	shower	13
									Kuwait	sun	21	Naples	cloudy	10	Toronto	sun	-3
									L. Angeles	rain	18	Nassau	fair	24	Vancouver	rain	4
									Las Palmas	sun	20	New York	sun	4	Venice	sun	6
									Lima	cloudy	23	Nice	fair	10	Vienna	fair	-3
									Lisbon	fair	15	Nicosia	fair	17	Warsaw	cloudy	-3
									London	cloudy	9	Oslo	snow	1	Washington	cloudy	4
									Lux.bourg	sleet	1	Paris	cloudy	6	Wellington	shower	15
									Lyon	sleet	2	Perth	sun	31	Winnipeg	fair	-18
									Madeira	fair	18	Prague	cloudy	-6	Zurich	snow	-1

FINANCIAL TIMES
COMPANIES & MARKETS

Monday January 9 1995

MARKETS THIS WEEK

BRONWEN MADDOX:
GLOBAL INVESTOR
It is not just the US pharmaceutical and healthcare industry which is relieved at the Republican capture of Congress. For many of the world's largest insurers, Republican proposals to slim down environmental and healthcare legislation would remove some of the greatest threats to their profitability. **Page 16**

MARTIN WOLF:
ECONOMIC EYE
The UK's stock of human capital is worth twice as much as the total measured net wealth of the personal sector. This makes policy for the family not just the heart of social policy, but also the most important of all economic policies. Unfortunately, family policy is a mess. **Page 16**

BONDS:
Ask three economists a 'yes' or 'no' question and one is likely to get three different answers. Yet there is agreement on one point as economists look ahead to what might happen to US bonds this year: it has to be better than 1994. **Page 16**

EQUITIES:
New York – Wall Street trade is dominated by familiar worries about interest rate rises.
London – Trading volumes are only slowly beginning to recover to more normal levels and movement still lacks conviction. **Page 14**

EMERGING MARKETS:
After the Mexican debacle, many investors are wondering whether Argentina will be the next Latin American economy to unravel. **Page 17**

CURRENCIES:
The dollar will provide the focus for the year's first full week of trading after last week's strong US non-farm payroll report. **Page 17**

COMMODITIES:
Cocoa traders will be hoping that Germany's fourth quarter 1994 cocoa grinding figure, will be high enough to sustain the rally that carried prices in London above £1,000 a tonne last week. **Page 16**

UK COMPANIES:
The UK government will tomorrow launch a wide ranging marketing campaign for the sale of its remaining 40 per cent stakes in National Power and PowerGen, the two UK electricity generators. **Page 14**

INTERNATIONAL COMPANIES:
Legal objections raised by Portugal's securities and exchange commission (CMVM) have cast doubt over the planned sale by Banco Español de Crédito (Banesto), the Spanish bank, of its 50 per cent holding in Banco Totta e Açores, Portugal's third largest bank, for Es153bn ($944.3m). **Page 15**

STATISTICS

Trafalgar may publish offer today

By Michael Smith and Chris Tighe in London

Trafalgar House will publish its formal offer document for Northern Electric this week – probably today – amid expectations that the government will refer the £1.2bn ($1.8bn) bid to the Monopolies and Mergers Commission.

Although Prof Stephen Littlechild, power industry regulator, is thought likely to oppose a referral, industry executives and analysts believe the political sensitivity of the bid will persuade ministers to set aside his advice.

Separately Trafalgar will today formally requisition an extraordinary general meeting of Northern's shareholders when it will ask them to eliminate a Northern article of association limiting any investor to 15 per cent of shares.

Removing the restriction requires the support of 75 per cent of shareholders and is crucial to the outcome of the contested Trafalgar bid. Trafalgar has secured the support of the 10 per cent of shareholders necessary to call an egm.

Northern will this week intensify pressure for a monopolies referral by questioning whether Trafalgar is fit to run a utility because of its complex ownership structure which Northern argues gives control to overseas-based minority shareholders. About a quarter of Trafalgar's shares are owned by Hongkong Land.

Several of Northern's fellow regional electricity companies believe there are few grounds for a referral since it will not reduce competition in the sector, and have not responded to a consultation exercise by Prof Stephen Littlechild which ends tomorrow.

However executives at most regional electricity companies and city analysts believe the government will refer the bid on "public interest" grounds. Similar views in the City caused power company share prices to fall last week.

The bid figures in Trafalgar's offer document will broadly be the same as those outlined in its bid announcement before Christmas. However it will have several appendices with one on innovative "contract for differences" between Trafalgar and Swiss Bank Corporation, its adviser, likely to attract most attention.

Trafalgar House is planning to offset a large part of the bid-related expenses through the contract. In return for an undisclosed fee to Swiss Bank, Trafalgar will benefit from rises in the share price of Northern Electric and several other regional electricity companies above reference prices set a month ago.

Swiss Bank is believed to be covering its position by buying other electricity shares. Last week it emerged that Swiss Bank bought 8.25 per cent of Yorkshire Electricity but it said this was built up through normal market-making procedures.

Mr Richard Caborn, the Labour MP who chairs the Commons industry select committee, is asking the government to ban share dealing in regional power companies pending an inquiry into mergers and takeovers.

He said: "I am particularly concerned that the type of share dealing and speculation that is happening in the electricity sector will have an adverse impact on electricity prices and continuity of supply."

Plenty of predictions but little dollar action

By Philip Gawith

The dollar is acquiring a reputation in currency markets as the dog that doesn't bark.

Pundits have spent much of the past two years predicting a dollar rally. For the most part, they have been disappointed. Indeed, an overwhelming number of investors found themselves caught out by the dollar in 1994.

Most prominent was Mr George Soros, the hedge fund manager, who admitted losing around $600m on St Valentine's Day when a bet on the dollar against the yen went wrong.

The optimists, however, are at it again. Sentiment towards the US currency is clearly more bullish than a few months back, a fact underlined by the currency's modest rally since November.

Among analysts, the mean forecast for the value of the currency next December is DM1.61 and Y104.5, according to London-based Consensus Economics. That compares to the levels of DM1.5575 and Y101.295 at which the dollar was trading in New York on Friday night.

For sceptics, arguments in favour of a rising dollar have a ring of déjà vu. A year ago, the mean forecast for the dollar in December 1994 was DM1.78 and Y112.5, with analysts citing stronger US growth and rising interest rates to lift the dollar.

But the dollar peaked at DM1.7673 and Y113.58 by early February and investors then had to suffer as it fell by around 15 per cent to lows of DM1.4862 and Y96.05 by early November. Since then, the currency has rallied by 4.8 per cent against the D-Mark and 5.5 per cent versus the yen.

Several factors lie behind this rally. First, Republican gains in November's Congressional elections led markets to conclude that the US Federal Reserve would be free to pursue a tougher monetary policy. Then in mid-November, the Fed tightened policy more aggressively than many had expected, raising US short term interest rates by three quarters of a percentage point.

Sentiment has also been helped by Fed intervention to support the dollar. One UK fund manager says: "What has changed is that the Fed really does seem to have a grip. The problem in 1994 was the Fed said it was moving pre-emptively to combat inflation, but it became increasingly clear that it was behind the game."

The dollar has also been helped by a widening gap – both actual and expected – in real (inflation-adjusted) short term interest rates in the US and Germany. In the US, real short term rates rose to 3 per cent, from 0.7 per cent, between January and November 1994, while in Germany they rose from 2.3 per cent to 2.5 per cent.

Investors are also encouraged that the Clinton administration no longer appears to have a policy of talking down the dollar as a weapon in the long-running trade dispute with Japan.

But even among dollar bulls, optimism is tempered by wariness. Very few see the dollar surpassing its 1994 highs in 1995. One of the most important reasons for caution is the German interest rate cycle.

When Germany starts to tighten monetary policy again – in the first half of 1995, according to most analysts – the differential between US and German real interest rates will start to close. Rising US inflation which some economists predict, would shrink the gap further.

Some analysts also argue that global trade and capital flows militate against a substantially stronger dollar. As the Montreal-based research group Bank Credit Analyst notes: "It is very hard to have a sustained currency rally when a country is simultaneously running a structural current account deficit and long-term capital is flowing out of the country. In the US, the deficit in the combined current and long-term capital accounts is running at a record annual rate of more than $170bn."

Few analysts are predicting any quick improvement in the US's current account. On the capital account, US pension funds are likely to expand their holdings of non-dollar assets in the long term, in search of both risk diversification and profits.

However, in the first half of 1994, the portfolio outflow from the US of $37.9bn into foreign equities and bonds was almost matched by a $36.3bn inflow. And the rate of overseas purchases may slow even further in 1995 following the recent losses sustained by investors in Mexico.

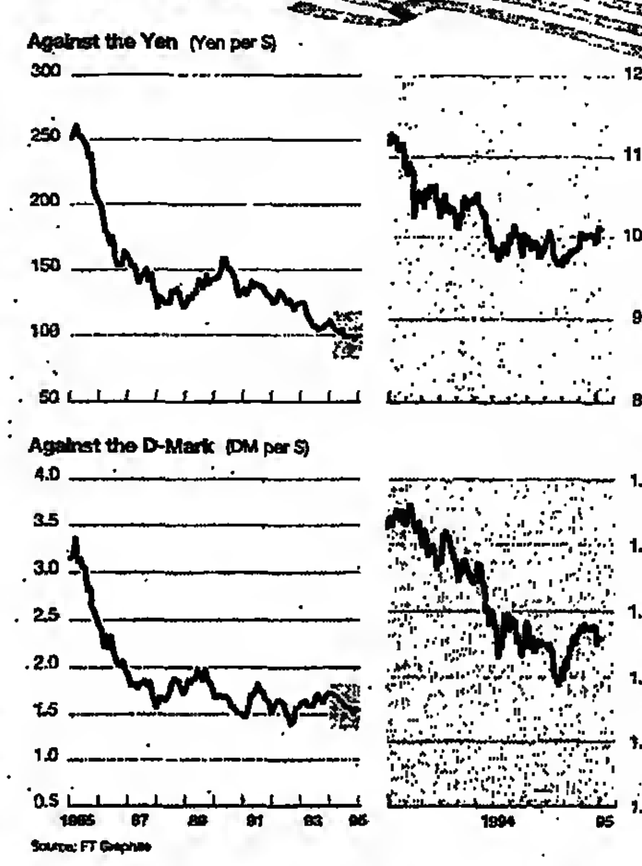
An imponderable is the behaviour of Japanese investors, who have suffered because of the yen's rise. Some say they have lost the appetite for buying US assets, particularly bonds. Should Japanese funds start to flow into the US, however, this would support the dollar.

A long term structural problem is the apparent diminution of the dollar's role as the world's leading reserve currency. According to the BCA, the dollar now accounts for 60 per cent of central bank foreign reserves, compared with 80 per cent in 1976.

Recent research from Swiss Bank Corporation suggests the trend may continue. This is because the bulk of reserve growth is taking place in developing (mostly Asian) countries and the pattern of their trade suggests they may increasingly use the yen as a reserve currency. The upshot could be significant dollar sales in the years ahead.

So while the dollar could make headway in 1995, its progress may not be dramatic. Mr Karsten Schiebler, managing director of Capital Markets Advisor, a hedge fund manager, says that last year so many people lost so much that everything will be far more conservative in 1995. "The tone of the music has changed."

Dollar doldrums



Source: FT Graphite

'Prejudice' changes line-up in Czech telecom bid

By Nicholas Denton in London

Perceived prejudice against French and German companies has forced Deutsche Telekom and France Telecom to take back seats in the competition for a stake in the Czech company SPT Telecom.

Deutsche Telekom said that Ameritech, the US regional Bell company, would be "fronting" their consortium bidding for the 27 per cent of SPT due to be sold early this year.

France Telecom has also agreed a junior position in its partnership with US regional operator, Bell Atlantic, taking a 45 per cent stake in the consortium to Bell's 55 per cent.

Deutsche Telekom and France Telecom headed their respective partnerships when bidding for Matav, the Hungarian telephone company, in 1993. Their modesty in the Czech Republic is unusual.

Deutsche Telekom conceded the lead in the Czech deal because it detected concerns in Prague about selling companies to a former occupying power.

France Telecom has deferred to accommodate a prejudice against French state companies built up by Air France's failed investment in CSA, the Czech airline. Air France sold its 19.1 per cent stake in the troubled Czech carrier in March last year, just two years after announcing it as a long term investment.

KPN of the Netherlands, and Stet of Italy are expected to make vigorous efforts and the purchase price may be pushed higher than $1bn.

British Telecom is expected to give credibility to Teledenmark's bid by adding its name.

The intensity of interest owes much to fortunate timing. The Latin American telecom deals are largely completed and west European privatisations are generally taking the form of public offerings and Hungary's telecoms company Matav has already been sold. SPT is one of only a few offerings open to industry investors.

The Czech government last week, added a fresh note of uncertainty by delaying the SPT tender for at least month. It was due to have been completed in March. The delay has raised fears that the Czech government may be having second thoughts about the style of the telecoms sale.

This week: Company news

CREDITO ROMAGNOLO

Analysts back likelihood of Cariplo victory

THE L2.400bn ($2bn) counterbid for 70 per cent of Credito Romagnolo (Rolo), the Bologna-based bank, opens on Wednesday. The bid by a consortium led by Cariplo, the unquoted Italian savings bank, is 18 per cent higher than the previous offer for 65 per cent from Credito Italiano, the recently privatised Milan-based bank.

Including shares already owned, Cariplo will control some 52 per cent of Rolo if its bid is successful. Its allies – IMI, the privatised banking group, Cassa di Risparmio in Bologna, another local bank, and the insurance company Reale Mutua – will own a further 27 per cent of the bank's shares.

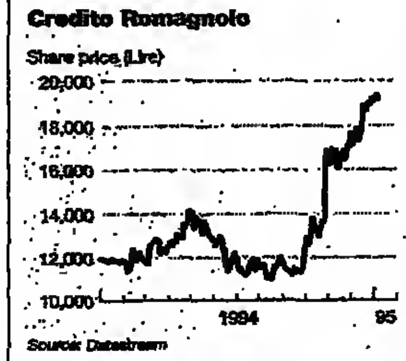
Rolo's directors met again last week to discuss the detail of the consortium bid and maintained their generally welcoming attitude to Cariplo and its partners.

The rival bids, both of which will close on February 3, offer strong guarantees of Rolo's autonomy and local identity. But in the end analysts believe shareholders are likely to pick the more valuable offer: the Cariplo consortium is prepared to pay L21,500 a share, against L20,000 from Credit.

Last week's stock market movements indicated that investors were not expecting Credit to return with a higher offer, which would almost certainly have to be launched with the help of allies. The Milan bank's shares rose strongly all week, on the probability that Credit would withdraw from the fray and wait for other less expensive acquisition opportunities in the fragmented Italian banking sector.

If Cariplo succeeds in bringing Rolo under its wing it will add a further 350 branches to its national banking network, which already runs to some 1,400 branches, if alliances with local savings banks are included. Cariplo and Credit are both among the top 10 Italian banks, but are still comparatively small by international standards.

Credito Romagnolo



Source: Datastream

UK RETAILERS

Christmas upturn hope after sluggish autumn

A string of retailers' results and trading statements this week is expected to provide further evidence of a solid if unexciting Christmas for stores groups. Next and Boots both reported good figures last week, which, coupled with figures from other sources such as department store group John Lewis Partnership, suggest a late surge in sales following a sluggish autumn.

Dixons, the UK's biggest electrical retailer, reports interim results on Wednesday and, after a poor Christmas in 1993, is thought to have ridden out a difficult electricals market to produce a better performance this year. Pre-tax profits are expected to be about £25m-£26m ($39m-$40.6m) up from £17.3m last year before £214m exceptional costs relating to the sale of Silo in the US.

Sears, the retail group comprising Selfridges department store, Freemans mail order, and high street chains such as Dolcis and Wallis, makes a trading statement on Thursday. While Selfridges is thought to have had a good Christmas, the high street chains are thought to have suffered from exceptionally warm autumn weather which damaged sales of winter clothing.

Friday sees trading statements from Storehouse and Argos. Body Shop, the natural cosmetics retailer, is also expected to make a statement this week, reporting robust Christmas sales.

OTHER COMPANIES

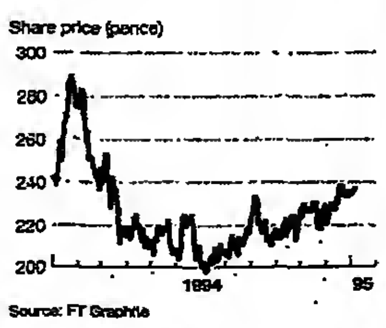
Lonrho anxious to prove its worth

Lonrho, the UK based industrial conglomerate, is expected to report on Thursday a jump in profits before exceptional items from about £76m to £110m ($171.6m). The results will be more detailed than ever before, in an obvious attempt by the restructured board to convince the market it has for too long ignored Lonrho's underlying value. The figures should show substantially better performances from several divisions, including hotels, motors and mining. But investors will be anxious to get some clarification of Mr Dieter Bock's plans for the future now that he has won control of the company from Mr Tiny Rowland.

■ **J.P. Morgan:** The bank will kick off the year-end reporting season for big US banks on Thursday with earnings which are expected to be as much as a quarter below those in 1993. Morgan issued a warning about its trading profits in the final three months, even before the crisis in Mexico's financial markets. Full-year earnings per share are likely to come in at around $6, down from $7.80 the year before. Bankers Trust, another bank whose profits are tied closely to the financial markets, is expected to show earnings of around $7.75 a share when it reports next week, compared with $11.41 in 1993.

■ **TSB Group:** Full-year pre-tax profits for the UK's sixth largest bank on Thursday are forecast to range from £460m to £515m ($803m), with most clustering around £490m-£500m, compared with pre-tax profits of £301m for 1993. The dividend should rise to between 8.6p and 9.1p (up from 7.68p).

TSB



Source: FT Graphite

■ **Rank Organisation:** The UK group is expected on Thursday to report pre-tax profits before exceptionals of about £360m ($561.6m) for the year to the end of October, up from a previous £277m. Analysts uprated forecasts last October after the group said there had been a healthy rise in UK and US leisure spending. Both Rank Xerox and the video duplication business are expected to make good contributions.

■ **Securicor:** The UK communications, security and parcels business is expected to announce pre-tax profits of £81m ($126.4m), up from £63m, on Thursday. Some two-thirds of that rise is likely to come from Cellnet, the mobile phone network in which it has a 40 per cent stake.

Companies in this issue

Campaign starting for generators' share sale

By Joel Kibazo

The government will tomorrow launch a wide ranging marketing campaign for the sale of its remaining 40 per cent stakes in National Power and PowerGen, the two UK electricity generators.

The sale, expected to be the largest in Europe this year, is planned for next month and is expected to raise about £4bn in three tranches for the Treasury. A pathfinder prospectus is to be published at the end of this month.

Private investors are to be the main target of the press and television campaign and about 40 per cent of tha shares will be offered to small investors at discount prices. "Share shops" – high street banks, building societies, regional stock brokers and other financial intermediaries – will he the main source of information for the public. Private huyers can start registering their interest in the offar from tomorrow. Small UK investors will be offered only a package of both shares.

The government has indicated it could scale back the 40 per cent on offar to institutions in the event of greater than anticipated demand from the public. Institutions will hid for shares in each of the two companies in a separate international offer with the price determined through a "book building" plan. Both PowerGen and National Power are to buy back the remaining 20 per cent.

Kleinwort Benson and Barclays de Zoete Wedd are advising the government on the sale and the publicity campaign has been devised by WCRS, the advertising agency, with the government said to have set aside about £8m to advertise the issue.

The government sold 60 per cent stakes in each of the two generators in 1991.

Halifax's financial services sales force back in action

By Alison Smith

The financial services sales force at Halifax Building Society, one of tbe UK's largest personal finance organisations, will return to selling today, as the society's life insurance and unit trust subsidiaries open for business.

The 600-strong sales force was withdrawn two months ago for re-testing, after failures to meet regulators' standards on supervising interviews with clients were discovered.

Until its decision to launch its own operations, Halifax had been linked with Standard Life, the UK's largest mutual life insurer, selling only Standard life and investment products.

Its entry into the market in its own right with low costs and strong distribution should increase competition at a time when life companies are already under pressure from changes, such as the new rules insisting that customers have more information about how much sales advice costs.

The new operations are also expected to play a critical role in the proposed merger between Halifax and Leeds Permanent, tha UK's fifth largest society. Halifax plans to take over the Leeds later this year, and the most likely prospect is that the financial services operations will be brought togetber and based at Leeds Permanent's headquarters.

Tbe scope for expanding financial services is intended to reduce the need for cutting staff, and Halifax has also said that turning some brancbes into financial advice centres should ohviate the need for substantial closures in a combined network.

However, splitting financial advice from ordinary transactions appears to sit slightly uneasily with Halifax's emphasis on the financial services businesses, not as a way of selling policies, but as part of deepening its relationship with its customers.

From today, Halifax is also to introduce a new system of checking the financial advice it gives. After an initial discussion with a customer, any recommendation a sales agent plans to make will be checked at a central unit before the second interview.

Saatchi denies P&G ultimatum

Saatchi & Saatchi, the advertising group, yesterday denied a report that it had been delivered an ultimatum by Procter & Gamble, the US consumer products group which is responsible for 6 per cent of Saatchi's revenues, writes Geoff Dyer.

The report claimed that P&G told Saatchi it would withdraw its business if Campbell' Mithum Esty, Saatchi's US subsidiary, did not give np an account for Dow Chemicals' household products division, a competitor of P&G.

Saatchi said: "That account [P&G] is not up for review. Procter & Gamble has made us aware that it is worried about possible conflicts of interest. But they will give ns time to resolve the problem in a way that is satisfactory to all the group's clients."

There has been intense speculation since Mr Maurice Saatchi resigned as chairman on December 16 that clients close to him would withdraw business from the group.

So far only Mars, the US confectionery and pet foods group, has announced a review of its Saatchi business.

Hambros ends dispute with £28m pay-out

By Geoff Dyer

Hambros, the merchant bank and financial services gronp, is to pay £28m in an out-of-court settlement with the Norwegian Guarantee Institute, ending a 15 year dispute over the collapse of the late Hilmar Reksten's shipping empire.

The Institute has said it will not appeal against a February 1993 judgment by tbe Oslo City Court, in favour of Hambros, on a £200m claim against the bank. Appeal proceedings were due to start on Tuesday.

Mr Charles Perrin, depnty chairman of Hambros Bank, said: "As far as we are concerned, this is the end of the saga completely." Hambros said the settlement, which net of tax relief is expected to be abont £18.5m, would be covered by an existing provision for contingencies, which stood at £41.1m on March 31. This year's profits will tberefore not be affected.

The bank said it did not admit liability for the claim, which it considered "ill-founded". It agreed to the settlement "to avoid further drawn-ont legal action, snbstantial irrevocable costs and demands on management time".

The claim arises from loans Hambros made to Reksten in the 1960s and 1970s. The Institute was set np in 1976, after the first oil shock and the collapse of the tanker market, to guarantee loans to Norwegian shipping companies.

After Reksten died in 1980 Hambros reached a "comprebensive settlement agreement" with the trustees to Reksten's estate and with the Institute in 1981 and 1982 respectively.

Tbe Norwegian parties reopened the case in 1989, claiming Hambros bad known that Reksten had secretly sent a fortune overseas in order to avoid Norwegian taxes. Reksten's trustees settled witb Hambros in July 1993.

Tbe Institnte instigated negotiations with the bank in December. Mr Perrin said: "The extent of the Norwegian authorities' knowledge [about Reksten's finances] became clear during the preparation for the appeal."

Poised for promotion to big league

Andrew Baxter examines ASW's proposed expansion package

An extraordinary meeting of shareholders in ASW Holdings will today consider a package of proposals that will take the Cardiff-based group into the hig league in Europe's £5hn market for steel reinforcing products.

The meeting comes four weeks after ASW said it planned to pay £51m for 80 per cent of Société Des Aciers D'Armature Pour Le Béton, the steel mesb and reinforcement coil (recoil) unit of France's Usinor Sacilor.

ASW is also swapping its Scunthorpe Rod Mill business for British Steel's fully diluted 35.2 per cent stake in the Welsh group, and raising about £29m through a 7-for-20 rights issue at 160p. For good measure, ASW is also spending £17m to upgrade and expand its Cardiff Rod Mill.

With some understatement, Sir Alan Cox, chief executive, says that "trying to hring all these things together at the same time was interesting".

ASW's shares rose 20p to 215p when the package was announced, and have remained there since. Because the shares held by British Steel are being cancelled, the total oumber outstanding, on a fully diluted hasis, will fall slightly even after the rights and the issue of 10m new shares – about 12 per cent – to Usinor. Yet annual turnover will rise by about £200m to £620m. On top of that it will have a stronger strategic base and more clout in Europe, says Sir Alan.

He believes ASW is now delivering something it has been talking about for some years. "We have spent a lot of time and effort looking at our position in the European context," he says. "We've said we had a problem with margins, and one way to achieve stability was likely to be regroupings across Europe that would produce more sensible, commercial, decision-taking."

In taking over SAM, ASW was looking to fulfil three criteria. First, it was aiming for a more stable industrial structure, with less fragmentation.

Second, ASW was looking for ways of adding value, hy using products in special designs and construction systems rather than simply selling them as commodities. Third, it wanted manufacturing that was not only efficient but in the right place for reducing distribution costs. For a UK company, this suggested a northern European deal.

SAM fitted the bill. It will lifts ASW's share of the European recoil market from about 4 to 20 per cent. Half the recoil produced by SAM's two main plants at Montereau near Paris and at Neuves-Maisons in Lorraine is turned into mesh at its downstream plants in France, Germany, the Netherlands and Belgium, which will keep ASW close to end-user markets.

Sir Alan Cox: ASW will have more clout in Europe

Overall, ASW's R&D costs for mesh will be spread over a bigger sales base, its distrihution costs will be reduced and purchasing power will be raised.

ASW had a number of ways of creating a strong European presence, including joint ventures. In the event the takeover of a state-owned business which lost money until recently looks, on the face of it, to be one of the riskier options.

But Sir Alan says he cannot imagine anybody has done more due diligence on an acquisition in the 18 months since he met Mr Francis Mer, Usinor's chairman, who formed SAM with a view to selling it off as part of the French steel group's restructuring.

ASW has been poring over SAM since tben, and has concluded that further cost cuts can be made – on top of hig changes already introduced by SAM's managers.

But the more important question, says Sir Alan, was whether there was a culture at SAM that would look for continuous improvement. "I've had some frank discussions with SAM managers," he says, "which convinces me that we can maintain the momentum".

Indeed he sees no reason why SAM cannot achieve similar increases in productivity to the 13-14 per cent rises each year at ASW's Cardiff plant over the past 12 years.

Working out the effects of the deals on ASW's profits is not easy, but the company has increased size and muscle, margins are rising because of market conditions and there are new annual cost savings of £19m – from SAM, the changes at Cardiff Rod Mill and previous investments at Cardiff Bar and Sections Mill. Together this more than offsets the absence of the Scunthorpe wire rod business.

Analysts were in any case looking for a big rise in pre-tax profits this year to between £16m and £20m – compared with the company forecast of "not less than £4m" for 1994. Now, they are pencilling in as much as £28m for 1995, before a £2m exceptional charge, and see profits accelerating sharply in 1996.

Cassidy Bros hit by rising raw material costs

Interim pre-tax profits at Cassidy Brothers, the USM-traded toys and nursery products group, slipped 4 per cent to £520,039, compared with £541,368 last time.

Mr Thomas Cassidy, chairman, expressed disappointmeot at the outcome, blaming a "severe" rise in the cost of raw materials of up to 53 per cent.

Turnover for the half-year to October 31 was 8 per cent ahead at £4.36m, against £4.02m.

Earnings per share came out at 6.52p (6.95p), with the interim dividend unchanged at 0.75p.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
SCA (Sweden)	PWA (Germany)	Pulp & Paper	£491m	Implications for sector
Nestlé (Switzerland)	Alpo (US)	Pet Food	£329m	GrandMet completes sale
Acordia (US)	Unit of Inchcape (UK)	Insurance services	£32.2m	Partial Bain Hogg disposal
CRH (Ireland)	Dy-Core Systems (Netherlands)	Building Materials	£15.5m	Strategic purchase
Merloni Elettrodomestici (Italy)	New World Domestic Appliances (UK)	Domestic appliances	£12.5m	MBO team doubles money
Zee Telefilms (India)	TV-Asia (UK)	Satellite TV	£10m	First global strategy move
Hodder Headline (UK)	Moa Beckett Publishers (NZ)	Publishing	£3.5m	Cash deal
Weir Group (UK)	Brian Controls (Canada)	Control equipment	£2.4m	Complementary buy
Rio Algam (Canada)	Metal Goods (US)	Metals distribution	n/a	Buy from Alcan
Golden Vale (Ireland)/ Leprino Foods (US)	JV	Food	n/a	Letter of intent stage

NOTICE

to the holders of those of the

U.S. $200,000,000 6⅛ per cent. Notes Due 1999 presently outstanding (the "Notes")

formerly of

INVESTOR AB ("Investor")

but now of

AB INVESTOR GROUP FINANCE ("IGF")

constituted by a Trust Deed (the "Trust Deed") dated 27th January, 1994 and made between Investor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the holders of the Notes.

NOTICE IS HEREBY GIVEN TO THE HOLDERS OF THE NOTES THAT:

(i) Investor has requested the Trustee to exercise its powers under the Terms and Conditions of the Notes and the Trust Deed to agree to the substitution in the place of Investor of IGF as the principal debtor in respect of the Notes and the interest coupons appertaining thereto and under the Trust Deed on the basis that Investor would guarantee the obligations of IGF thereby incurred;

(ii) the Trustee, being of the opinion that such substitution and guarantee referred to in (i) above are not materially prejudicial to the interests of the holders of the Notes, has concurred in the implementation of such substitution and has accepted such guarantee, in each case with effect on and from 29th December, 1994, and

(iii) such substitution has been implemented by, and such guarantee has been given in, the First Supplemental Trust Deed dated 29th December, 1994 made between Investor, IGF and the Trustee.

The Notes remain listed on the Luxembourg Stock Exchange but, with effect on and from 29th December, 1994, as securities of IGF, under the denomination of the Guarantor followed by the denomination of IGF. The definitive Notes and relative interest coupons now in issue will remain valid, but as obligations of IGF, and accordingly will not be called in for replacement.

Copies of the Trust Deed and the First Supplemental Trust Deed referred to in (iii) above and the Terms and Conditions of the Notes as modified to reflect the substitution of IGF in place of Investor as principal debtor and the guarantee of Investor are available for inspection and, in the case only of such modified Terms and Conditions, collection at the specified office of each of the Paying Agents.

JPMorgan
Dated: 9th January, 1995

Issued by:
INVESTOR AB and
AB INVESTOR GROUP FINANCE

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUB-SECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant to Mercury Personal Communications Limited (referred to as "the Licensee") a licence under the Telecommunications Act 1984 ("the Act") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.

2. The principal effect of the licence will be to enable the Licensee to install and run telecommunication systems throughout the United Kingdom. The Licensee will be authorised to connect its systems to a wide range of other systems, including GSM and PCN systems outside the United Kingdom, and to provide any telecommunication service apart from cable television services, telepoint services, and certain types of international services.

3. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making the system run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate the Licensee's system as a public telecommunication system.

4. The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

5. He proposes to apply the Telecommunications Code ("the Code") to the Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of these exceptions and conditions to the application of the Code is that the Licensee will have duties:

(a) to comply with the various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

(b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;

(c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

(d) to inspect its telecommunications apparatus to ensure that it would not cause harm to other persons or property;

(e) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and

(f) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

6. The reason why the Secretary of State proposes to apply the Code to the Licensee is that the Licensee will need the statutory powers in the Code to keep installed and maintain the telecommunication systems required to be kept installed and run under the licence.

7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the system is installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.

8. Representations or objections may be made in respect of the proposed licence, the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by Monday 6 February 1995 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications Division, Room 2.86, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can be obtained free of charge by writing to the Department or by calling 071-215 1785.

Valerie Carpenter (Mrs)
Department of Trade and Industry

9 January 1995

INTERNATIONAL DEPOSITARY RECEIPTS REPRESENTING SHARES PAR VALUE VALUE $ 2.50 COMMON STOCK J.P. MORGAN AND CO INCORPORATED

A cash distribution of $ 0.75 per depositary share will be payable on or after the 20th January 1995 upon presentation of coupon No. 99 at:

Morgan Guaranty Trust Company of New York
35 Avenue Des Arts
1040 Brussels

Banque Internationale Luxembourg
2 Boulevard Royal
L-2953, Luxembourg

At the designated rate less applicable taxes.

This distribution is in respect of the regular quarterly dividend payable on the common shares P.V. $2.50 J.P. Morgan & Co. Incorporated on 13th January 1995.

U.S. $60,000,000
Banco de Boston S.A.
Floating Rate Notes
Guaranteed as to Commercial Risk due 2002
Guaranteed by
The First National Bank of Boston

Notice is hereby given that for the six months interest period from January 9, 1995 to July 10, 1995 the Notes will carry an interest rate of 10.5675% per annum. The interest payable on the relevant interest payment date, July 10, 1995 will be U.S. $534.25 and U.S. $5,342.45 respectively for Notes in denominations of U.S. $10,000 and U.S. $100,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
January 9, 1995
CHASE

US$300,000,000
Eagle Pier Corporation B.V.
Floating Rate Secured Notes due 2001

Notice is hereby given that the notes will bear interest at 6.63281% per annum for the period 9 January 1995 to 3 April 1995. Interest payable on 3 April 1995 will amount to US$15.48 per US$1,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

EUROPEAN COAL AND STEEL COMMUNITY
FRF 500,000,000 FRN due 2002

Notice is hereby given that the rate of interest for the period from January 9th, 1995 to April 8th, 1995 has been fixed at 5.56063 per cent. per annum. The coupon amounts due for this period are FRF 139.02 per denomination of FRF 10,000 and FRF 1,390.21 per denomination of FRF 100,000 and are payable on the interest payment date April 10th, 1995.

The Fiscal Agent
Banque Nationale de Paris (Luxembourg) S.A.

COMPANIES AND FINANCE

Doubt cast over Banesto Portuguese bank sale

By Peter Wise in Lisbon

Legal objections raised by Portugal's securities and exchange commission (CMVM) have cast doubt over the planned sale by Banco Español de Crédito (Banesto), the Spanish bank, of its 50 per cent holding in Banco Totta e Açores, Portugal's third largest bank, for Es153bn ($944.3m).

Mr Fernando Costa Lima, the president of the CMVM, said in a newspaper interview at the weekend that it would not be possible to exempt Mr António Champalimand, the veteran Portuguese industrialist who has agreed to buy Banesto's stake, from making a public offer for all of BTA.

However, Mr Ghampalimaud's agreement with Banesto stipulates that he will buy only if Portugal waives the requirement to make a bid for the other 50 per cent of BTA, which is dispersed among 34,000 shareholders. He has agreed to pay Banesto Es5,262 a share, excluding interest. BTA shares closed on Friday at Es3,426.

Portuguese government officiala are believed to have assured Mr Champalimaud unofficially, before his agreement to take a 50 per cent atake, that he would be exempted from a making a public offer for the entire company.

His purchase of Banesto's stake, of which 25 per cent is held indirectly by Portuguese associates, would end Portugal's embarrassment over a Spanish bank exceeding the limit of 25 per cent imposed on foreign ownership of BTA.

Mr Costa Lima's stand means that to allow the BTA deal to go ahead, the government will have to alter stock market legislation or declare a special exemption in the national interest. Analysts said that either move could damage the credibility of Portugal's capital markets.

Following Banesto' agreement to sell BTA, shares in Banco Português do Atlântico, Portugal's second-ranked bank, rose more than 4 per cent on both Thursday and Friday on speculation that Banco Comercial Portugués would renew a bid for control of BPA vetoed by government in September. BCP denied the rumours.

However, bankers said that it would be difficult for the government to block another BCP bid for BPA if it approved Mr Champalimaud's acquisition of BTA.

This would create Portugal's largest privately-owned financial group without an offer having to be made for 100 per cent of the target bank. These were the government's main justifications for blocking BCP's bid.

AGF chief ready for spring privatisation

After months of delay the French insurer's sale is getting closer, says **Andrew Jack**

Mr Antoine Jeancourt-Galignani, chairman of Assurances Générales de France, the insurance company scheduled for privatisation, has a simple message for the government: "We are ready."

Looking relaxed in his office in central Paris at the end of last week, be refused to be drawn on the timetable for the sale of the state's 57 per cent stake in AGF, despite intense debate in the French press.

The government clouded the issue last Thursday by publishing the decree in its official journal for the privatisation of Seita, the state tobacco monopoly. That has led many commentators to believe Seita is now likely to go first.

"It is up to the government to take the decision," said Mr Jeancourt-Galignani. "Quite frankly I don't know what they think." However, he believes the privatisation will happen before the end of March.

He bas good reason to be cautious. AGF was prepared for privatisation as long ago as last spring, and the company seemed convinced on several occasions since then that the sale was imminent – only to be rebuffed while the sale of other state assets, such as in Renault in November – overtook it.

One reason for the long delay has been the disappointing performance of the stock market last year – notably for financial companies. "Our shares are closely correlated with the bond market," be says. "The argument is that as interest rates rise, the value of financial assets and our hidden capital gains goes down."

Another hitch has been the need to sort out the question marks hovering over Comptoir des Entrepreneurs, the loss-making property company in which AGF had a 29.7 per cent stake.

A restructuring agreed in late December has made the insurance group the controlling shareholder, and those involved argue that the uncertainties are now resolved.

"Initially, the delay caused some frustration," says Mr Jeancourt-Galignani. "People were a bit disappointed. But they adjusted to the reality, and it would not have been very pleasant if the share price had dropped after privatisation."

Antoine Jeancourt-Galignani: good reason to be cantious

He says that AGF has now resolved the other outstanding financial problems it faced: notably the slump in real estate investment, and the depths of the insurance cycle with low levels of premiuma and high values on claims.

"It has been a very difficult period since 1991," he says. "1994 will show a marked improvement and we believe there will be a technical profit in all non-life business in 1995."

The outstanding issues soon to be resolved by the state's privatisation commission are the way in which strategic stakes will be distributed to existing large shareholders; and the minimum price for the shares, for which there is already some guide, given that they are partly quoted.

Mr Jeancourt-Galignani favours just over 20 per cent of the shares going to a small group, 5 per cent to AMB, its German insurance partner, 5 per cent to Société Générale, and a significant stake to another French bank, Paribas.

He is also working with his board to determine the discounts offered to employees seeking to take shareholdings.

Some 10 per cent will be allotted to workers, who are likely to receive a government-sponsored 20 per cent reduction on the public offer price. AGF may add in a further 10 per cent, as well as providing loans to encourage staff to buy more shares.

The French government remains reluctant to commit itself to which of the two companies is to be offered first, other than saying that both will go during the first third of the year.

"There are two irons in the fire, and in alphabetical order they are AGF and Seita," said the ministry of economics at the end of last week.

Nevertheless, there is one factor which is likely to force the sale of the government's AGF stake relatively soon, regardless of whether it takes place before or after Seita.

As part of the Comptoir des Entrepreneurs restructuring, AGF says the state must hand over to it FFr7bn ($1.3bn) by mid-April which it is to fund from the revenues raised by the sale of it stake in AGF.

DAX futures to be traded in the US

By Andrew Fisher in Frankfurt

Germany's DAX futnres contract, based on the share prices of the country's 30 largest quoted companies, is to be marketed in the US for the first time following agreement between securities authorities of the two countries.

This was made possible by the latest securities law in Germany, which outlaws insider trading for the first time and also laid down the basis for the new regulatory agency, the Federal Supervisory Office for Securities Trading which began operations in Frankfurt this year.

The go-ahead for US trading of the DAX futures contract, of which 5.1m were traded last year, was given by the Commodities Futures Trading Commission (CFCT). Previously, the US agency had said a stock-based instrument could not be traded without the legal banning of insider trading and the existence of a German regulatory body.

Members of the Deutsche Terminbörse (DTB), Germany's financial futures and options exchange – which include foreign banks – will now be able to promote and sell the DAX futures contract to US-based financial institutions and money managers. The German securities agency will share information with the CFTC.

"The CFTC's approval gives the DTB and its members the first opportunity to directly market one of our products in the US," said Mr Jörg Franke, the DTB's general manager. "It is our hope and belief that additional opportunities to market our other risk management products will follow shortly."

Negotiations are also being held with UK anthorities about selling the DAX futures contract.

The CFTC said that no special approval was needed for the US marketing of contracts in Bund (8½ to 10- year government bonds), Bobl (3½ to five-year bonds) and Buxl (15 to 30-year securities) futures.

AMD profits jump in final three months

By Richard Tomkins in New York

A big increase in sales resulted in a near doubling of fourth-quarter net profits to $74m for Advanced Micro Devices, one of the largest US makers of integrated circuits. The figure compared with $39m in the same quarter last year.

However, the latest result marked a decline from the third quarter's net income of $84m because of start-up costs at the new Fab 25 manufacturing plant in Austin, Texas, and the outcome of a legal dispute with rival Intel which resulted in AMB having to scrap about 100,000 chips.

Sales shot up by 34 per cent to a record $545m in the period to December 25, led by strong demand for AMD's 386 and 486 microprocessors and embedded Risc microprocessors. Communications circuits and non-volatile memories also set new records, the company said.

Full-year net income rose from $218m to $330m on sales up from $1.65bn to $2.13bn.

Tibetan hotel group plans share issue

By Norma Cohen, Investments Correspondent

A strengthening tourism industry is seen as the reason for plans to send some new shares sky-high ... to the "roof of the world" in remote Tibet.

Tibet Pearl Company, restructured from the Chengdu Tibet Hotel concern, has become the first Tibetan company to announce plans for a public share issue.

It aims to issue 30m A shares – available only to domestic investors – to be listed eventually on the Shanghai stock exchange. Currently, there is a moratorium on listing new A shares on that exchange and the announcement by Tibet Pearl is viewed as a sign that the ban is about to be lifted.

Tibet Pearl owns the 382-room Chengdu Tibet Hotel along with entertainment and convention facilities. China Securities, lead underwriter for the planned offering, says more than 78 per cent of the botel's rooms are rented on average and in 1994 the occupancy rate reached more than 90 per cent.

The company will offer 27m shares by selling an unlimited quantity of fixed special depositary receipts and then drawing lots on the receipts for subscription of sbares. Another 3m shares will be placed according to a staff share placement proposal.

The company expects to raise Yn112m ($13.3m) from the issue, which it plans to invest in redevelopment of its centrepiece hotel, construction of a new botel in Sichuan province and the creation of a tourist bus company in Lhasa.

Local brokers believe that as many as 20 companies may be awaiting listings for A shares on the Shenzhen exchange.

Apple Macintosh PC 'clones' on the way

By Tom Foremski in San Francisco

The first "clones" of Apple Computer's Macintosh personal computers are soon to be marketed following Apple's decision last September to license its proprietary technology to other companies in a bid to expand market share.

The company has closely guarded its Macintosh technology against imitators for more than a decade, but the growing dominance of personal computers based on Intel chips that run Microsoft's Windows software bas forced Apple to change its strategy.

It hopes that by licensing its technology to others it will create a larger customer base and encourage software developers to create new applications for the Macintosh.

Power Computing and Radius, both based in northern California, are the first companies to demonstrate prototypes of the Macintosh clones.

Radius, which is a manufacturer of high resolution computer displays, said it would concentrate on a specialised segment of the PC market, offering computer-based video editing systems.

Power Computing, a small computer design company with backing from Olivetti, the Italian computer manufacturer, aims to introduce its clone, based on Apple's Power Macintosh model, in March.

Apple said it had adopted an "open licensing policy". Previously, it has said it would license Macintosh technology selectively to companies that would not compete directly with its own sales.

Fundraising for Northam Platinum

By Mark Suzman in Johannesburg

Northam Platinum, the troubled platinum mine in the Gold Fields of South Africa stable, has confirmed that it will seek to raise an additional R500m ($150m) through a rights issue to try to secure the mine's longer-term viability.

The company said the money would be used to repay existing borrowings of R291.3m and to fund working capital, capital expenditure and projected operating losses until financial self-sufficiency is reached.

The announcement follows the results of a technical assessment which said the mine would be viable at lower production levels of 110,000 tonnes a month compared to an original target of 150,000 tonnes a month.

The development of Northam has already cost shareholders R1.7bn.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Bronwen Maddox

Salvation for insurers

It is not just the US pharmaceutical and healthcare industry which is relieved at the Republican capture of Congress. For many of the world's largest insurers, Republican proposals to slim down environmental and healthcare legislation would remove some of the greatest threats to their profitability.

The passage of that legislation, in successive waves since the 1970s, marked a triumph at the time for environmental lobbyists and champions of workers' rights. But it has become clear that it is so expensive thet it is unenforceable.

US rating agencies estimate that the total cost of environmental and asbestos-related claims could be more than $130bn, although under the US courts' system of punitive damages, estimating the incidence and potential cost of these claims is near-impossible.

Environmental and asbestos claims in US courts hava already brought down syndicates at *Lloyds of London*. It is now clear the private wealth of the British upper middle classes is insufficient to finance such claims. It is also beginning to seem likely that other insurers' resources, particularly those of small US insurars, would also prova inadequate if the legislation were fully enforced.

The difficulty of estimating outstanding risks, particularly under policies sold in the 1960s and 1970s, has been one factor behind the 30 per cent decline in share prices of US insurance brokers over the past five years compared to the S&P composite index (assisted too by the California earthquake).

In the past year, Congress has begun to grapple, although unsuccessfully, with the need to reform laws, particularly the Superfund rules on cleaning up polluted land. Superfund, the Clean Air Act and the Safa Drinking Water Act are all up for renewal, although Congress failed to pass bills updating them in the last session.

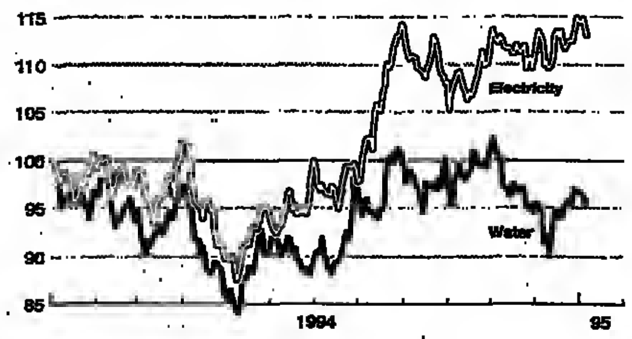
Proposals now in the pipeline, part of the Republican "contract with America", are likely to ease the burden on business from these rules more than the Clinton plans would have done. If passed, they will shift power back from federal regulators to the states. Under one proposal, land owners who cannot develop their land because of environmental restrictions would have to be compensated.

The new proposals would also severely curtail the rate at which new environmental and health laws can be passed, by insisting on scientific and economic analyses of their implications. The cost of new federal regulations might also be capped, limiting the number of rules any one agency could issue annually. The changes could also scupper mooted revisions to a food-safety bill aimed at revising pesticide rules, and new proposals aimed at reducing repetitive strain injuries and smoking at work.

Critics of the proposals claim that they will swamp any action by federal agencies in a mound of cost-benefit analysis, whila failing to make a real dent in claims under existing laws. Nor is any rerating of the sector likely to be precise, as the markets' attempts to value pharmaceutical stocks in the face of potential reforms of US healthcare show. But given that the risk to insurers under such lagislation is near-incalculable at present, a dimmution in that risk is welcoma, even if its value is similarly hard to judge.

UK utilities: taken over by speculation?

Indices relative to the FT-SE-A All-Share index



Source: FT Graphite

Total return in local currency to 5/1/95

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.04	0.10	0.10	0.16	0.10
Month	0.51	0.20	0.44	0.45	0.70	0.48
Year	3.81	1.81	5.18	5.59	7.81	5.19
Bonds 3-5 year						
Week	0.02	-0.31	-0.08	-0.11	0.05	0.12
Month	-0.17	0.48	-0.50	-1.08	-0.18	-0.06
Year	-2.66	-1.39	-0.76	-2.35	-0.10	-1.63
Bonds 7-10 year						
Week	-0.10	-0.65	-0.38	-0.67	-0.35	-0.01
Month	-0.15	0.71	-0.98	-1.54	-1.13	-0.33
Year	-5.26	-3.85	-5.38	-8.41	-8.28	-7.01
Equities						
Week	0.0	-0.5	-0.6	-0.9	2.9	-0.9
Month	1.8	0.8	-0.4	-4.4	2.8	0.5
Year	1.9	6.2	-8.1	-13.8	9.5	-6.7

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

■ UK Utilities

UK markets have also been wrestling with attempts to calculate the financial consequences of potential political change. In recent attempts to rerate utility stocks, particularly electricity, brokers may be indulging in spurious precision.

Fear of a Labour victory at the next general election is a central reason wby regional electricity companiea have been scrambling to return valua to shareholders through share buy-backs and large dividends. They are also pressing ahead with selling off their shares in tbe National Grid Company, which runs national electricity transmission.

The source of tbe fear is Labour's threat of a windfall tax on profits of the privatised utilities. If imposed, it would be the first such tax since the Conservatives' tax on bank deposits in 1981-82.

Share prices of the recs have been boosted by anticipation of higher dividends and shrinking share capital bases. They have also been helped by takeover speculation; the protective shield of the government's golden share lifts on March 31. Several brokers, notably Smith New Court, say that the recs are considerably undervalued compared to the asset value. Share price rises of up to 40 per cent would be justified in some cases, they argue.

However, the approach is questionable: it is hard to see any circumstances in which the full asset value would be returned to shareholders. For a start, brokers may be overvaluing the earnings beyond a general election. The current display of the utilities' wealth may prove politically counterproductive and trigger a higher windfall tax than would otherwise be imposed. It may also increase pressure for larger rebates to customers from the sale of the National Grid than the £25 currently assumed by some brokers.

It would be unwise of the utilities to put much weight on the argument that the cupboard is bare while their franchises are capable of quickly replenishing their assets. Their surplus cash has built up since privatisation partly because the regulatory regime installed at that point did not foresee the scope for efficiency gains. Even if they escaped a windfall tax, they might expect a further tightening of the regulatory regime.

Given that prospect, any takeovers ahead of the next election are unlikely to pay holders what brokers currently call the "full value" of the company. Predators can read the opinion polls as well as anyone, and must appropriately discount the value of earnings after the next election.

COMMODITIES — Richard Mooney

Cocoa trade hopes for a boost

Cocoa traders will be hoping that Germany's fourth quarter 1994 cocoa grinding figure, which is expected to be published today or tomorrow, will be high enough to sustain the rally that carried nearby prices on the London futures market above £1,000 a tonne last week.

That rise was fuelled in mid-week by the release of a higber-than-expected Dutch fourth quarter grinding figure.

Analysts have predicted that the German total will be unchanged to 5 per cent higher, compared with the corresponding period of 1993, and anything above that could fuel a continuing uptrend.

European Community exports of finished chocolate to Russia and the rest of eastern Europe appear to have recovered after the collapse that followed the sales boom of 1993 and early 1994. "In 1993 there was under-consumption of chocolate in Russia, which generated massive filling of tha supply pipeline until March when it was full," one Dutch analyst told the Reuters news agency last week. "That overhang has been eroded away and we're now seeing normal consumption."

German domestic chocolate consumption also appears to have recovered from the sharp dip seen during 1994's hot summer. "Demand for chocolate is now more or less normal," said Karsten Keunecke, head of the German Confectionery Industry Confederation. "We had the big problem during the hot summer months, but we had rising exports to eastern Europe, which more or less compensatad for the loss on the German market."

● Other events this week include a two-day Home-Grown Cereals Association conference starting today in Cambridge. Topics under discussion will include future challenges, research and development opportunities and new technologies.

Tomorrow sees the publication of the International Primary Aluminium Institute's end-November stocks figures. The end-September stocks total was up 33,000 tonnes from a month earlier at 1.987m tonnes.

Economic Eye / Martin Wolf

Farewell to the family

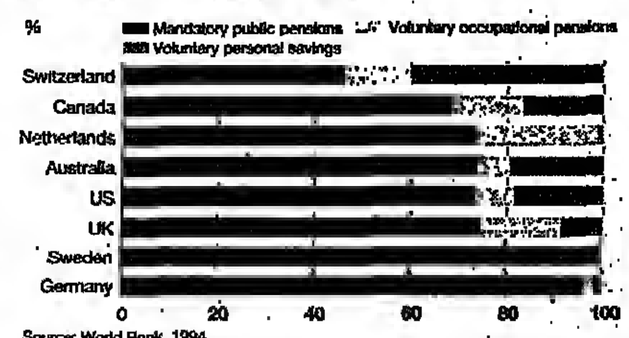
"Children are not a private pleasure or a personal burden; tbey are 100 per cent of the nation's future." This remark from the report of the Commission on Social Justice, publisbed last year, is both correct and important.* Policy for the family is the heart of social policy. It is also the most important economic policy.

To illustrate the point: in 1992 the net measured wealth of the UK's personal sector was £2,300bn ($3,600bn); but its stock of "human capital" was worth some twice as much. One way of valuing the human capital stock is from the difference between actual labour incomes and what they would hava been if nobody had earned more than an unskilled person. In 1992 this would have been some £200bn. Capitalised at a real interest rate of 4 per cent, the human capital stock was worth over £4,000bn.

Until recently, the marriage of the mother with the father was universally seen as the institution primarily responsible for tbe production of human capital. As was noted in two previous columns (Marital Economics, September 12 1994, and Welfare and the Family, September 26), this is ceasing to be the case. 19 per cent of families with dependent children were headed by a lone-parent in 1991, against 8.6 per cent in 1971.

What has the Social Justice Commission to say about this rise of the mother-state-child family? "In common with the emerging consensus amongst leading family organisations, we believe that family size and structure are a matter for adults' private cboice, but that dependent children are entitled to 'good enough parenting' based on a commitment that lasts throughout their childhood, whether parents are living together or apart."

Sources of non-wage income



Source: World Bank, 1994

This view is fatuous. It appeals to the grand notion of free cholce, but violates at least two liberal principles. First, the choice is made in the knowledge that other people will be forced, via the tax system, to foot the bill. Secoud, children must be first among all the people to whom damage may not lightly be done by the exercise of free cboice. Furthermore, the notion that the commitment of a father to children with whom he may never live can approximate that of one who does is extraordinary.

Fortunately, having won its intellectual battle for the market, London's Institute of Economic Affairs has turned its attention to the social underpinnings of a free society. A recent book by Patricia Morgan for the IEA explains why it was right to do so.** Ms Morgan notes that "children of non-traditional families have higher rates of mortality and morbidity; are more at risk of abuse; more likely to become delinquent and go into care and more likely to become involved in crime."

They also perform more poorly in education. Furthermore, these disadvantages exist even when one controls for the poverty of lone-parents. In any case, the observation that the problem for lone-parents is poverty misses the point. They are, other things equal, bound to be poorer than couples.

There are three principal reasons for the shift: the declining significance of marriage; falling earning opportunities for unskilled males, making them less marriageable; and the tax and benefit systems. Ms Morgan's book shows how far the UK tax system has gone to eliminate the benefits of marriage. A lone parent witb two small children can, for example, work for 20 hours at £4 per hour and and up with a net income of £163.99 after rent and tax. A married father of two small children working for 40 hours at the same hourly rate would take home £130.95. It is hardly surprising that almost half those in the bottom 10 per cent of the income distribution are couples with children (see chart).

Many women in poorer segments of society are better off without husbands. They are also the only women who are better off having children. The private costs of producing successful children are enormous, while society as a whola shares in their income. Strikingly, the average size of the families of single lone-mothers increased from 1.3 to 1.5 children between 1981 and 1991, while the average size for married couples fell from 2.1 to 1.9. The quantity and the quality of the human capital stock are adversely affected.

The most significant proposals of the Social Justice Commission are to increase the net subsidisation of lone-parents (partially disguised as child-care and nursery provision) and to tax child-benefit for high-earning mothers, further reducing their incentive to have children. Unfortunately, Ms Morgan's study addresses policy insufficiently. But she does recommend "the elimination of all payments and services to broken families that are not made to intact families, with one benefit standard for all children, whethar inside or outside the means-tested system." Even more bravely, "there is the need for employment opportunities for men that are as considerate and 'friendly' to family providers, as they are now often asked to be towards parents as carers".

Such recommendations are, of course, hugely controversial. But how will future generations view the casual way with which we are discarding the social institution dedicated to producing and socialising the next generation?

* *Social Justice: Strategies for National Renewal, Report of the Commission on Social Justice (London: Vintage, 1994).*
** *Patricia Morgan, Farewell to the Family? Public Policy and Family Breakdown in Britain and the USA, Choice in Walfare Series No. 21 (London, IEA Health and Welfare Unit, 1995).*

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 6 1995 US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	THURSDAY JANUARY 5 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	165.73	-3.4	158.17	106.12	134.20	143.85	-2.2	4.01	166.08	157.49	106.04	134.14	143.91	189.15	181.21	170.45
Austria (16)	181.07	-0.8	172.80	115.94	146.62	145.96	-0.8	1.11	180.66	171.33	115.36	145.92	145.86	186.89	167.46	187.17
Belgium (35)	167.01	-0.6	159.38	106.94	135.23	132.04	-0.1	4.16	166.52	157.90	106.32	134.49	131.29	177.04	160.76	164.66
Brazil (28)	146.37	-10.3	139.69	93.72	118.52	226.05	-11.1	1.00	152.22	144.35	97.12	122.94	235.78	-	-	-
Canada (103)	127.73	-1.3	121.89	81.78	103.42	129.65	-1.4	2.66	127.81	121.29	81.66	103.30	129.85	145.31	120.54	139.76
Denmark (33)	252.74	0.4	241.20	161.83	204.65	210.39	0.9	1.41	255.16	241.96	162.91	206.08	211.78	275.78	238.61	256.21
Finland (24)	188.59	1.4	179.98	120.78	152.71	188.55	1.9	0.73	188.62	179.05	120.65	152.50	188.55	201.41	130.66	130.66
France (102)	162.51	-0.6	155.09	104.06	131.59	137.03	0.1	3.13	162.02	153.64	103.44	130.66	136.12	185.37	159.34	177.01
Germany (58)	139.11	-1.8	132.76	89.08	112.64	112.64	-1.3	1.85	140.15	132.90	89.48	113.19	113.12	150.40	128.37	137.78
Hong Kong (56)	305.60	-6.3	291.65	195.68	247.46	304.41	-6.0	4.09	315.64	299.31	201.53	254.93	313.66	493.01	305.60	472.32
Ireland (16)	211.02	2.3	201.39	135.12	170.87	193.27	2.7	3.30	210.07	199.20	134.13	169.67	191.51	218.60	177.56	196.87
Italy (59)	75.53	0.8	72.08	48.36	61.16	91.91	1.2	1.72	76.86	71.94	48.44	61.27	61.91	97.78	65.87	97.66
Japan (464)	152.37	-2.9	145.42	97.56	123.38	97.56	-1.4	0.76	153.91	145.95	98.27	124.31	98.27	170.10	131.55	131.55
Malaysia (97)	467.06	-2.6	445.74	299.06	378.20	468.96	-2.6	1.83	472.34	447.90	301.57	381.49	463.88	594.76	430.71	592.53
Mexico (18)	1210.92	-14.5	1155.63	775.35	980.51	7308.26	-4.2	1.40	1232.34	1168.58	786.80	995.29	7343.20	2847.05	1197.98	2433.51
Netherland (19)	214.99	-1.2	205.16	137.65	174.09	171.28	-0.6	3.37	215.12	203.99	137.35	173.74	170.80	223.30	191.28	203.43
New Zealand (14)	69.78	-0.9	66.61	44.69	56.51	58.17	-0.5	5.03	68.74	66.14	44.53	56.33	57.97	77.59	62.05	67.66
Norway (23)	206.72	-3.0	197.28	132.36	167.38	190.77	-2.5	1.73	210.11	199.24	134.15	169.69	193.24	214.65	177.53	188.54
Singapore (44)	371.42	-0.4	354.47	237.82	300.76	246.84	-0.7	1.72	375.94	356.49	240.03	303.63	251.72	401.38	294.66	369.84
South Africa (58)	330.70	-1.6	315.60	211.75	267.77	293.82	-2.0	2.24	331.14	314.01	211.42	267.44	293.13	342.00	205.55	277.22
Spain (38)	128.36	-2.7	122.52	82.20	103.95	130.10	-1.1	4.45	129.26	122.57	82.53	104.40	130.10	155.79	128.38	137.24
Sweden (46)	234.92	0.7	224.20	150.42	190.23	261.65	1.9	1.49	237.78	225.47	151.61	192.03	261.65	242.81	196.70	204.37
Switzerland (47)	164.78	-0.2	157.26	105.51	133.43	133.54	-0.4	1.83	164.81	156.28	105.22	133.11	133.39	178.56	149.91	165.14
Thailand (46)	156.95	-0.8	149.79	100.50	127.09	153.09	-0.7	2.49	158.98	150.75	101.50	128.40	155.04	-	-	-
United Kingdom (205)	193.36	-0.6	184.53	123.81	156.57	184.53	-0.1	4.17	192.72	182.75	123.05	155.65	182.75	214.96	181.11	206.14
USA (513)	188.63	0.5	180.02	120.78	152.74	188.63	0.5	2.94	188.41	178.66	120.29	152.17	188.41	198.04	178.95	188.99
Americas (662)	174.24	0.0	166.29	111.57	141.09	146.07	0.2	2.89	174.19	165.16	111.21	140.66	146.00	-	-	-
Europe (723)	167.48	-0.9	159.84	107.24	135.61	150.24	-0.2	3.10	157.57	158.90	106.99	135.34	149.63	178.58	160.59	170.72
Nordic (128)	226.87	1.1	216.51	145.26	183.70	214.77	2.0	1.36	229.14	217.29	146.30	185.06	215.22	233.91	197.58	197.58
Pacific Basin (809)	159.33	-3.0	152.06	102.02	129.02	106.09	-1.7	1.15	161.06	152.73	102.83	130.03	108.96	178.66	145.69	148.07
Euro-Pacific (1532)	162.63	-2.1	155.21	104.13	131.69	123.52	-1.1	1.99	163.68	155.21	104.50	132.18	123.88	175.14	155.32	158.17
North America (616)	184.85	0.4	176.41	118.36	149.68	184.57	0.4	2.93	184.85	175.10	117.90	149.14	184.38	192.73	175.67	186.87
Europe Ex. UK (518)	149.93	-0.8	143.08	96.00	121.40	129.94	-0.4	2.48	150.34	142.56	95.99	121.42	128.83	158.12	144.12	149.59
Pacific Ex. Japan (325)	229.52	-3.5	219.05	146.97	185.86	201.68	-3.3	3.30	233.01	220.96	148.77	188.20	204.47	291.75	224.17	284.09
World Ex. US (1740)	163.54	-2.2	156.07	104.71	132.42	126.93	-1.2	2.00	164.60	158.09	105.09	132.94	127.32	176.65	157.61	166.84
World Ex. UK (2048)	168.61	-1.4	160.91	107.96	136.53	141.96	-0.7	2.13	169.39	160.61	108.14	136.80	142.35	178.59	164.27	164.46
World Ex. Japan (1789)	182.46	-0.6	174.15	116.84	147.78	174.23	-0.3	2.98	182.89	173.24	116.64	147.56	174.09	195.20	176.34	188.84
The World Index (2253)	170.79	-1.3	162.85	109.36	138.29	145.80	-0.8	2.33	171.44	162.57	108.46	138.46	146.03	180.60	166.16	168.10

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 133.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Please note: Following the recent lifting of foreign ownership restrictions in Norway, a number of changes to the FTA-W Norway Index will take place with effect 13/1/95. Norwegian "A" shares have been merged with "A Free" shares to form a single "A" class available to all investors. The entire number of merged "A" shares outstanding will be included in the index for the following stocks: Aker A, Elkem A, Hafslund Nycomed A, Kvaerner A, Norske Skogindustrier A, Orkla A and Saga Petroleum A. The share fraction will also change for the following stock: Norske Hydro (0.43 to 0.494). A comprehensive market review for Norway is on the agenda for the next policy committee meeting.

EMERGING MARKETS: This Week

The Emerging Investor / David Pilling

Argentina combats Mexican wave

After the Mexican debacle, many investors are *wondering whether* Argentina will be the next Latin American economy to unravel.

Of all Latin economies, that of Argentina – at least superficially – most resembles Mexico's. Like Mexico, it has a big current account deficit – about $11bn in 1994 – creating a dependence on capital inflows; also like Mexico, its currency seems overvalued, raising questions about how long parity with the dollar is sustainable.

Apparent similarities have led to the Buenos Aires stock market taking the brunt of the Mexican backlash, with the Merval blue-chip index sliding 17 per cent in the week following the Mexican devaluation. Bonds fell sharply, while short-term interest rates nearly tripled, creating severe liquidity problems in the banking sector. But many analysts believe financial markets have overreacted, saying that traders have failed to understand important differences between the two economies.

The crucial distinction, they say, stems from Argentina's experience of hyperinflation in the late 1980s which forced it to adopt a severe exchange rate policy known as convertibility. Launched in April 1991, convertibility fixes the peso by law at 1-to-1 with the dollar and, more crucially, forbids the printing of local currency unless backed by capital inflows.

"The Mexican central bank, to keep local interest rates down, followed an expansionary credit policy ... even after reserves started to fall," says Mr Esteban Thomsen of Buenos Aires-based Banco Privado. "In Argentina, the central bank may not, and does not, follow such a discretionary policy. The convertibility system ... makes it almost impossible to pursue a monetary policy independently of the evolution of its international reserves."

The bi-monetary system also militates against capital flight by allowing deposits to be kept in dollars within Argentina, says Mr Thomsen.

According to Mr Geoffrey Dennis, Latin American strategist at Bear Sterns, convertibility creates an economic "transparency" which makes it "very hard for a run on the currency to creep up on us".

Argentina's defenders argue that its trade deficit – less than half Mexico's in relative terms – is in any case shrinking as productivity gains feed into higher exports and as local consumer demand dwindles. Argentina has grown on average by an annual 7 per cent in the past four years, the fastest in Latin America, has brought inflation down to below 4 per cent, the lowest in the region, and has deregulated its economy far more quickly than Mexico.

Finally, the optimists say, Argentina's social tensions are far removed from those which erupted into Mexico's Chiapas uprising.

"The differences are well rehearsed," says Mr Dennis. "But when all's said and done, people are saying that Argentina faces the same problems as Mexico." The view of many investors is that "if things get really nasty" the "differences may be less important than the similarities".

Mr Dennis believes, however, that the worst may be over. "Our view is that they will not devalue ... If it was going to happen it would have already occurred," he says. But even ruling out collapse, Argentina *may still* not escape unscathed.

"Clearly the danger is that Argentina will need such high levels of interest rates to attract capital that growth will slow."

Economic growth in 1995, officially estimated at 6.5 per cent, may also suffer from public spending cuts which are being pushed through in an effort to restore lapsed fiscal rectitude.

Such considerations mean that Baring Securities may downgrade its earnings forecasts for 1995, originally set at 18 per cent. "Inevitably the numbers will come down," says Mr Eduardo Tapia, head of Barings office in Argentina.

However, even after lowering earnings prospects, p/e ratios for 1995 of about 12 to 13 times make Argentina the cheapest Latin American market, discounting Mexico where reliable forecasts are now impossible. According to the latest Barings estimates of 1995 earnings, Peru is trading on a ratio of 16.8, Chile at 17.1 and Brazil at 21.6.

The Merval index, which closed last Friday at 433.56, some 40 per cent down on its 1994 high of 728, "looks attractive, barring any worst-case scenario," says Mr Neil Perry, head of Latin American research at Barings. "We think the market is a buy, although we would not be so bold as to put a marker in the ground and say: 'Today's the day it has touched bottom.'"

*Mr Dennis also rates Argen*tina a "pretty good buy," and is upgrading it from underweight to neutral. However, he believes that victory for President Carlos Menem in May's elections and the renaming of Mr Domingo Cavallo as economy minister are crucial to maintain investor confidence. He is therefore waiting a few months before becoming an "aggressive buyer".

Those who do decide to purchase will have to pick carefully. Stocks to avoid may be those with high gearing, as well as banks because of the negative impact of falling bond prices on their bottom line, analysts say.

Flat margins and uncertainty over the impact of possible tariff adjustments have also made investors wary of the so-called telephone twins, Telecom and Telefonica, whose spectacular performance since privatisation may now be in question.

Over the next few months, Argentina's crucial test will be to persuade investors that its economic foundations are sounder than those of Mexico. Mr Cavallo is convinced that the market has overreacted and that Buenos Aires offers tremendous bargains.

"Those who pay attention to the differences between Argentina and Mexico are going to take short-term decisions that will prove very intelligent in the long term," he says.

Mr Cavallo is due to fly to New York tomorrow to tell bankers and investors just that. Much hangs on whether or not they are convinced.

Ten best performing stocks

Stock	Country	Friday 6/1/95	Week on week change $	%
Tjiwi Kimia	Indonesia	2.3206	0.4552	24.40
Grupo Mexico (B)	Mexico	3.1884	0.4473	16.32
Indah Kiat	Indonesia	1.2513	0.1549	14.60
Indocement	Indonesia	3.1623	0.2847	8.89
Banco Portugal Do Atlantico	Portugal	13.7867	1.1485	8.09
Lippo Bank	Indonesia	1.6835	0.1367	8.844
Telecomasia	Thailand	3.0243	0.2360	8.46
Leader Universal Holdings	Malaysia	3.4490	0.2377	7.40
Thai Airways International	Thailand	2.3279	0.1570	7.23
TPI Polene	Thailand	8.5503	0.6278	7.04

Source: Baring Securities

A testing time for South America's markets

Brazil's main stock market in São Paulo ended last week in sombre mood, hoping the worst was over but unsure when the damage inflicted by Mexico's storm would be repaired, writes Angus Foster in São Paulo.

After falling on each of the first three days of the week, the Bovespa index recorded a small gain on Thursday then fell another 5.1 per cent on Friday to close the week at 38,273. The index has dropped nearly 20 per cent since the Mexican crisis hit on December 20.

In Mexico the IPC index fell slightly on Friday, bringing its loss on the week in local currency terms to 5 per cent. This week an IMF delegation was due to visit the country to begin talks over a standby credit arrangement.

Investors will also be watching the Mexican banking sector this week, with fears that some of the smaller ones will be badly hit by the peso's devaluation. On Friday one small bank, Banpais, fell 46 per cent, while Moody's Investors Services downgraded the long-term foreign currency debt of two of the biggest, Banamex and Bancomer.

In Brazil, selling has been blamed on worries that foreign investors would lose enthusiasm for all of Latin America's markets. It was exacerbated in Brazil because the market's strong rise in 1994 gave investors the chance to take profits to cover losses elsewhere in the region. The Bovespa index rose 60 per cent in dollar terms last year, despite a 8.5 per cent fall in December.

Nevertheless, shares and Brazil's Brady bonds have fallen less heavily than those in Mexico or Argentina, reflecting investors' beliefs that Brazil is some time away from facing a Mexico-style crisis.

Government ministers stressed throughout last week that, unlike Mexico, Brazil has ample foreign exchange reserves of about $40bn. The country also recorded a trade surplus last year of $11.5bn, although there was a deficit of $47m in December.

Despite such fundamentals, local analysts are worried that international investors will not differentiate sufficiently between the main Latin American markets and will continue to sell or start to ignore Brazil. After accounting for a growing share of trading last year, foreign investors made up only 18 per cent of volume in December, the lowest level since June. In the week after Christmas, there were reports of several big liquidations by foreign investors.

US money heading back home

Mr Albert Edwards, Kleinwort Benson's global strategist, said that the UK investment bank was looking to add both Argentina and Brazil to its global equity portfolio for the first time, writes John Pitt.

The main difference between these markets and Mexico, he said, was that neither had "unsustainably large current account deficits to finance".

But he warned that, in general, all emerging markets were now vulnerable to the liquidation of US mutual funds, "with inflows into international funds already totally drying up in November.

"The simple truth is that the party is over. Global markets have feasted off easy US money and it is now going home ... We have long warned that higher rates would lead to redemptions. Crunch times have now arrived for the markets. Take cover."

ADR issues

Issuers from companies in emerging markets accounted for 56 per cent of ADR programmes launched in 1994, representing 66 per cent of the total capital raised, Citibank has said.

Overall the issuance of ADRs in 1994 nearly doubled from 1993 – a total of 285 companies from 43 countries launched new programmes, raising more than $20bn.

CURRENCIES — Motoko Rich

US data brings dollar into focus

The dollar will provide the focus for the year's first full week of trading after last week's strong US non-farm payroll report.

With analysts citing the report as evidence that the US Federal Reserve will soon raise interest rates again, investors will this week look to December's producer price index, released tomorrow, Wednesday's consumer price index, and Friday's retail sales data for signs of further robust growth in the economy.

Investors will also be keen to see how the new Republican Congress wields its might. If it succeeds in pushing through tax cuts, markets may start to worry.

Last week the dollar climbed to its four-month high against the yen.

Traders will watch Wednesday's summit between US president Bill Clinton, and Japanese prime minister, Tomiichi Murayama, for more constructive agreement between the two countries.

Traders will focus on key resistance levels for the dollar against the yen, around *Y101.50* to *Y101.75*. *Analysts* say that if the dollar can consolidate a breach above that level, it could well move quickly to Y105 against the Japanese currency.

The Mexican peso crisis and concern about fighting in Chechnya could also prompt investors to take cover in the US currency.

In Europe, the economic diary is fairly quiet, but investors will keep an eye on developments in the minor European currencies which were battered last week.

Both the peseta and the Swedish krona will be under scrutiny after last week's Spanish interest rate rise and the downgrade of Sweden's foreign currency debt rating.

Sweden will present its budget on Tuesday, providing the markets with a further guide to currency direction.

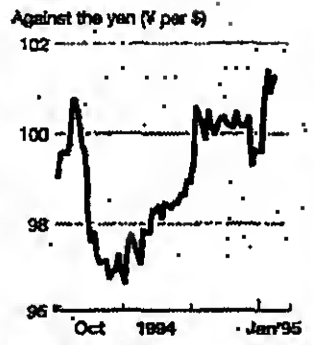
Traders will also show interest in the lira if Oscar Scalfaro, the Italian president, recovers from flu and reconvenes talks on a caretaker government.

In the UK, the most significant data release comes at the end of the week with the October trade figures. These are expected to underpin Britain's strong export performance and give a positive bias to the pound.

However, as Parliament reconvenes, sterling may be adversely affected if political worries overshadow strong economic fundamentals. The threat of yet another backbench rebellion against John Major's beleaguered government could undermine the pound.

Dollar

Against the yen (¥ per $)



Source: Datastream

Baring Securities emerging markets indices

Index	6/1/95	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (301)	150.65	-7.39	-4.67	-20.78	-12.12	-7.39	-4.67
Latin America							
Argentina (20)	84.98	-1.13	-1.32	-12.51	-12.83	-1.13	-1.32
Brazil (21)	197.07	-12.30	-5.87	-21.35	-9.77	-12.30	-5.87
Chile (12)	209.22	-2.35	-1.11	-10.80	-4.91	-2.35	-1.11
Mexico (25)	84.03	-13.59	-13.92	-54.51	-39.35	-13.59	-13.92
Peru(16)	822.84	-26.03	-3.07	-103.63	-11.19	-26.03	-3.07
Latin America (94)	128.72	-10.05	-7.24	-34.53	-21.15	-10.05	-7.24
Europe							
Greece (16)	87.71	+0.72	+0.83	+0.64	+0.74	+0.72	+0.83
Portugal (18)	115.80	-0.48	-0.41	-2.79	-2.36	-0.48	-0.41
Turkey (21)	72.52*	-3.59	-4.72	-11.33	-13.52	-3.59	-4.72
Europe (55)	96.79	-0.91	-0.93	-3.60	-3.59	-0.91	-0.93
Asia							
Indonesia (26)	138.99	+5.31	+3.97	+5.27	+3.94	+5.31	+3.97
Korea (23)	127.12	-12.76	-9.12	-23.72	-15.73	-12.76	-9.12
Malaysia (23)	206.78	-4.08	-1.93	+2.84	+1.39	-4.08	-1.93
Pakistan (11)	108.98	+2.78	+2.62	-0.13	-0.12	+2.78	+2.62
Philippines (12)	280.58	-1.54	-0.55	+5.75	+2.09	-1.54	-0.55
Thailand (25)	252.39	+0.75	+0.30	+4.88	+1.97	+0.75	+0.30
Taiwan (32)	179.18	-4.87	-2.70	+5.70	+3.29	-4.97	-2.70
Asia (152)	206.65	-3.96	-1.88	+0.05	+0.02	-3.96	-1.88

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 6, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	6412.72	3484.21	2237.22	3430.92
Albania	(Lek)	157.07	101.107	64.921	99.822
Algeria	(Dinar)	67.3262	43.3383	27.8276	42.7876
Andorra	(Fr Franc)	8.3502	5.375	3.4513	5.3067
	(Sp Peseta)	207.613	133.771	85.8944	132.071
Angola	(New Kwanza)	79888.3	51412.5	33012	50759
Antigua	(E Carr $)	4.2201	2.7165	1.7442	2.6819
Argentina	(Peso)	1.5540	1.0003	0.6423	0.9876
Armenia	(Dram)	628.950o	405.573	259.134	398.443
Aruba	(Florin)	2.7976	1.8009	1.1564	1.778
Australia	(Aus $)	2.0274	1.305	0.8379	1.2884
Austria	(Schilling)	16.9583	10.9161	7.0092	10.7774
Azores	(Port Escudo)	249.016	160.295	102.926	158.257
Bahamas	(Bahama $)	1.5535	1	0.6421	0.9872
Bahrain	(Dinar)	0.5857	0.377	0.242	0.3722
Balearic Is	(Sp Peseta)	207.613	133.771	85.8944	132.071
Bangladesh	(Taka)	61.8274	39.7987	25.5546	39.2929
Barbados	(Barb $)	3.1437	2.0236	1.2993	1.9979
Belarus	(Rouble)	17390.6o	11194.5	7187.98	11052.2
Belgium	(Belg Fr)	49.8037	32.069	20.5651	31.6515
Belize	(B $)	3.1260	2.0122	1.292	1.9866
Benin	(CFA Fr)	835.02	537.509	345.135	530.677
Bermuda	(Bermudian $)	1.5535	1	0.6421	0.9872
Bhutan	(Ngultrum)	48.7279	31.3666	20.1404	30.9678
Bolivia	(Boliviano)	7.3108	4.7098	3.0242	4.65
Botswana	(Pula)	4.2155	2.7137	1.7424	2.6792
Brazil	(Real)	1.3034	0.839	0.5387	0.8283
Brunei	(Brunei $)	2.2584	1.4537	0.9334	1.4352
Bulgaria	(Lev)	103.159	66.4235	42.6506	65.5792
Burkina Faso	(CFA Fr)	835.02	537.509	345.135	530.677
Burma	(Kyat)	9.1876	5.9141	3.7974	5.8389
Burundi	(Burundi Fr)	388.00	249.759	160.37	246.584
Cambodia	(Riel)	4062.98	2606.58	1875.13	2575.7
Cameroon	(CFA Fr)	835.02	537.509	345.135	530.677
Canada	(Canadian $)	2.1776	1.4017	0.9	1.3838
Canary Is	(Sp Peseta)	207.613	133.771	85.8944	132.071
Cp. Verde	(CV Escudo)	129.582	83.4773	53.6006	82.4162
Cayman Is	(CI $)	1.2945	0.8332	0.535	0.8226
[illegible]					

Special Drawing Rights January 5, 1995 United Kingdom £0.931256 United States $1.45369 Germany DM2.26267 Japan Y146.823 European Currency Unit Rates January 6, 1994 United Kingdom £0.785616 United States $1.22651 Germany DM1.90496 Japan Y124.084

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar; (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Yemeni rates for 29.4.94. (3) Polish Zloty revalued on January 1st. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Friday, January 6, 1995

WORLD BOND MARKETS: This Week

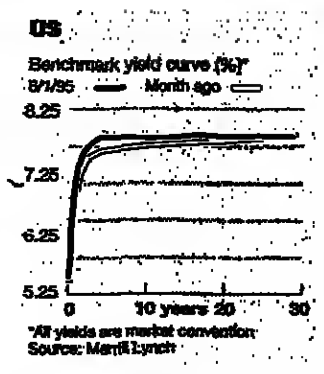
NEW YORK — Richard Waters

A growing belief that another half percentage point rise in US interest rates will come with the Federal Reserve's next policy-making committee meeting on January 31 failed to dent Treasury bond prices last week.

Nor is that equanimity likely to be disturbed by the moderate December rises in producer and consumer prices which are expected to be announced this week.

That the bond market had already prepared itself for another rise was clear on Friday: a modest fall in the official unemployment rate to 5.4 per cent from November's 5.6 per cent prompted a modest rally across the maturity spectrum.

Tomorrow's release of the producer price index for December is generally expected to show an increase of 0.2 percentage points during the month, bringing the full-year rise to 1.7 per cent.



Most economists expect the consumer price index, which will be published on Wednesday, to show a 0.3 percentage point increase for December, or 2.7 per cent for 1994 as a whole – the same as 1993.

Bigger rises than these could put pressure on the Fed to move on interest rates before the end of the month, and increase the likelihood of a second half-point rate rise early in the year.

LONDON — Graham Bowley

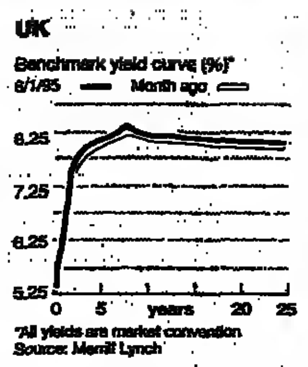
Fresh supply and the pace of UK economic growth are the themes likely to dominate the gilts market this week.

On Wednesday, figures for industrial production in November will paint a picture of how fast the economy was growing near the end of last year, while on Friday the Bank of England is expected to announce details of the government's next bond auction.

The figures are likely to dictate the direction of the market while the auction announcement will hold the key to the relative performance of different areas of the gilt yield curve.

S.G. Warburg's Mr Simon Briscoe expects the Bank to announce a sale of five-year stock, which will therefore depress the five-year area. The 10-year sector, free of supply, will perform best this week, he says.

The gilt-bund spread narrowed from 127 to 112 basis points last week and analysts



think it may narrow further, although it may take next week's flood of data to push it close to 100 basis points.

Ms Marian Bell, of the Royal Bank of Scotland, thinks the production data will show a vibrant industrial sector, putting downward pressure on gilt prices.

The City consensus forecast is for a 0.3 per cent month-on-month rise following an increase of 0.1 per cent in October.

FRANKFURT — Andrew Fisher

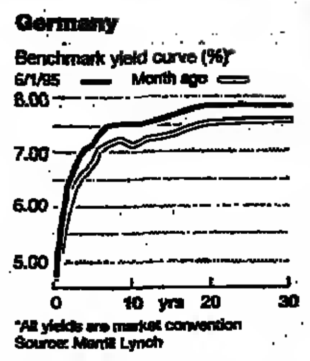
The German bond market, which reacted positively on Friday to the US employment figures, will have a feast of domestic statistics to survey this week.

They will show the strength of inflation, actual and potential, the rate of economic growth, and the still high level of unemployment.

Also, the 1995 wage round will start to gain momentum with regional pay talks in the engineering industry and parts of the chemical industry.

"The wage settlements are critical in the outlook for German monetary policy," says Paribas Capital Markets. Deals are bound to exceed last year's 2 per cent average, but should be held to around 3 per cent as inflation eases and the economic recovery remains patchy.

Thursday's GDP figures for 1994 are expected to confirm growth of 3 per cent for the whole of Germany (2.5 per cent in the west and 9 per cent in the east).



Also due this week are December's wholesale price index and west German unemployment data, along with final M3 for November and final consumer price figures for December.

The Bundesbank can be expected to keep a steady hand on interest rates if wage settlements are to its liking. However, traders are increasingly expecting it to switch to variable rate repos next month.

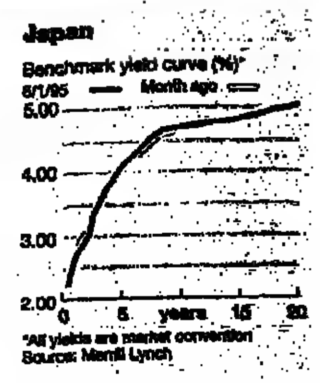
TOKYO — Emiko Terazono

Japanese bonds are expected to fluctuate in a narrow range this week as investors remain cautious over currency movements and the long bond auction.

The fall in the yen against the dollar could prompt investors, who had expected the high yen to continue to squeeze exporters' earnings and the economy, to review their economic outlook. The yen's fall has also affected supply and demand by triggering profit-taking by overseas investors trying to lock in currency gains.

While dollar selling by Japanese exporters is expected to stem a further decline in the yen against the dollar, US and European investors are switching funds out of Japanese bonds due to widening interest rate differentials, increasing the downward pressure on the yen.

Investors are also likely to focus on the auction of 10-year bonds this week. The bottom of the market is supported by



institutions willing to purchase bonds at the lower end, but worries over new debt coming to the market this month are mounting, since the government is expected to offer medium-term bonds, while euroyen and corporate bond issues are also scheduled.

● Nihon Sogo Shoken, the brokers' broker, said last year's trading activity fell sharply from 1993. Domestic bonds traded totalled Y389,759bn, down 32.8 per cent.

Capital & Credit

Little consensus over US soft landing

Ask three economists a 'yes' or 'no' question and one is likely to get three different answers. Yet there is agreement on one point as economists look ahead to what might happen to US bonds this year: It has to be better than 1994.

That, of course, is where agreement ends. There is no unanimity about when or how much the market may improve, but little could be worse than a year that saw yields on two-year notes soar by 340 basis points from 4.30 per cent at the beginning of January to 7.63 per cent last week, when the consensus was that they would hold steady.

The news was not much better in the market for 30-year Treasuries, where yields rose from 6.41 per cent to 7.86 per cent.

"The year was a parade of implosions," says Mr Steven Nothern, who manages government securities in several of Massachusetts Financial Services' mutual funds.

Rising interest rates wreaked havoc for investors – such as Mr Robert Citron, the former Orange County treasurer – who bet they would stay steady or decrease in 1994.

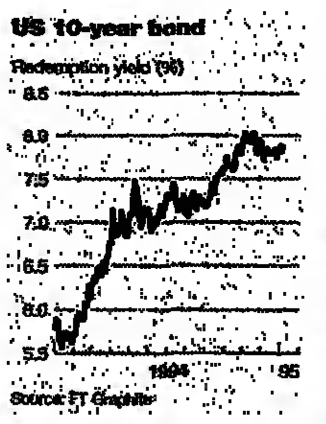
In the first half of 1995, short-term rates should continue to rise, keeping investors hoping to lock in the highest possible yields out of the market.

"Over ths first five months of this year there will be a continuation of the bear market," says Mr Josaph Liro of S.G. Warburg. "Then, as we get a sense that ths economy is responding to Fed tightening, and we seem to be at the end of the tightening cycle there will be a pronounced rally in the second half of the year."

While some see the 30-year Treasury yielding 7 per cent or less by year-end, others predict the long bond could be as high as 8 per cent. In the two-year market, estimates are closer to 8 per cent.

In the near term, most expect the long bond to be at or above 8 per cent, which would be a buying opportunity, says Mr Nothern, who believes the long bond will yield closer to 7 per cent at year-end.

Like most on Wall Street, Mr Nothern expects at least two



more rounds of tightening by the central bank, with the first coming at tha end of this month. He advises a 'bar-bell' position with paper of less than a year's maturity and 10 to 30-year bonds in order defend against interest rate volatility.

Ultimately, the Fed should stop tightening when growth slows, and this should attract investors to the long end of the market as the risk subsides that inflation will erode the value of their investments.

If yields on 30-year bonds drop amid nsw demand and the Fed continues to raise rates at the short end, the curve that traces the spread between the yield on two-year notes and the long bond could turn flat and then invert sometime next year. The curve was nearly flat, with the yield spread narrowing to as little as 7 basis points, late last year. But recently the spread has widened amid uncertain trading through the holidays.

Mr Liro expects inversion by the end of next year, but Mr Nothern thinks it could happen as early as the end of the first quarter of this year.

Mr Allen Sinai, chief global economist at Lehman Brothers, expects inversion to hold "until the central bank starts to lower interest rates again, and that will not happen until there are signs of weak growth or surprisingly low inflation numbers, and neither is likely in 1995."

An inverted yield curve is usually a sign thet the market anticipates economic slowing, but economists are split about whether the slowing will produce a "soft landing" or throw the economy into recession.

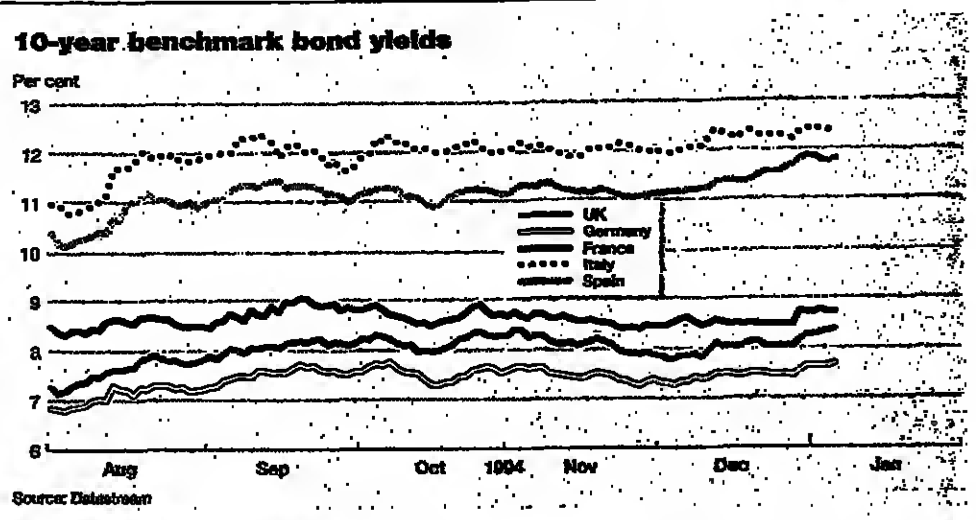
In 1994, the Fed raised interest rates six times, although the consumer price index held below 3 per cent. The Fed reacted to inflationary pressures deeper in the economy.

In Decembsr, for example, unemployment dropped to its lowest level in four years, and tha National Association of Purchasing Management index of business activity hit 57.8 per cent – the 16th consecutive month of growth.

Most are optimistic about a soft landing, although many are forecasting a quarter or two of slow or negative growth.

But Mr Robert Brusca, chief economist at Nikko Securities, sees recession. "The view of a soft landing is for the soft-headed," he says. "The strong December jobs report . . . makes the economy look bullet-proof. No economy ever is, and as we think about this, the Fed is loading armour-piercing rounds preparing another salvo."

Lisa Bransten



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	4.75	1.75	4.50	6.40[1]	7.50	6.25[2]
Overnight	5.44	2.22	4.75	5.34	8.00	4.00
Three month	5.92	2.37	5.03	5.87	8.88	6.43
One year	7.27	2.62	5.78	8.85	10.38	7.75
Five year	7.86	3.97	7.30	8.05	12.32	8.50
Ten year	7.86	4.72	7.69	8.34	12.40	8.65

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	99-01	99-13	+0-15	99-21	98-16	238,822	354,944
Jun	98-26	99-00	+0-14	99-08	98-05	4,941	14,549
Sep	98-28	98-24	+0-14	99-00	98-01	96	1,751

International bonds

Mexico takes the shine off Bradys

The new year started badly for investors in Brady bonds. With traders barely back at their desks after the holidays, prices resumed the downward slide triggered by Mexico's devaluation last month.

On Tuesday and Wednesday last week, prices of Bradys – bonds issued in exchange for restructured government commercial bank debt – fell by nearly 5 per cent, according to the J.P. Morgan Brady Bond Index, which measures total returns (both capital appreciation and interest earnings).

Prices recovered somewhat later in the week but even so, since December 19 the index has fallen by 9.9 per cent. And since February last year, when short-term US interest rates were first increased, Bradys have dropped by 19 per cent.

Mexico again sparked the selling last week. Following the announcement of new economic measures by President Zedillo on Tuesday, investors remained unconvinced about the country's ability to repay some $16.9bn of *Tesobonos* – short-term dollar-linked bonds – which mature in the next few months. Mexico's bonds declined by 4.72 per cent (as measured by the index) in trading on Wednesday.

Like last month, investors' nervousness proved contagious and other markets suffered. Latin American Bradys were hit hard, with fearful US fund managers seemingly oblivious to any difference in national circumstance or policy. "Mexico blocks out the rest of Latin America from their view," said Ms Ingrid Iversen, senior economist at Morgan Grenfell Emerging Markets.

Elsewhere, Nigerian Bradys, which fell by 25 per cent in 1994, lost 4.2 per cent on Wednesday and east European debt was also dumped. Prices of Russian paper, Vneshekonombank dollar debt, slumped, with concern over the fighting in Chechnya and scepticism about the country's ability to meet payments on its foreign debt helping to prompt sales. The non-payment of a $100m instalment of interest arrears expected by the end of 1994 caused special concern.

Traders now argue that prices are cheap and towards the end of the week there was some evidence of activity by "bottom fishers". Yet there is little confidence that the market has yet reached its lowest point. Many would-be buyers will wait for signs that the rally which helped lift soms prices on Thursday and Friday can be sustained, before they re-enter the market.

Even its biggest enthusiasts concede that the market faces some difficult months ahead, and uncertainty in Mexico will continue to cast a shadow over prospects. Nevertheless, amid this gloomy scenario, investors should note two things:

● First, although Mexico has dragged the rest of the market down in recent weeks, not all Bradys have been hit equally and the shake-out has produced s significant revaluation of paper from different countries. Last month, the yield spread of Polish over Mexican par bonds was 147 basis points. The relative valuations of the two assets have now reversed. On Thursday evening, Mexico was trading at 214 points over Poland. Meanwhile, between December 19 and January 5 the spread of Argentine and Brazilian par bonds over Mexican pars narrowed from 397 to 275 basis points and from 458 to 227 points respectively.

Mexican par bonds are likely to lose their benchmark status for the sector, possibly in the longer term to Brazilian paper. And many expect these differences to become more accentuated in the coming weeks.

Some economists argue that the similarities between Mexican and Argentine macroeconomic policy have been overplayed. Like Mexico, Argentina has a sizeable current account deficit and what many consider an overvalued currency.

However, Argentina's deficit is a smaller percentage of GDP than Mexico's and – unlike Mexico – it is legally obliged to maintain the parity of its currency with the US dollar. In addition, foreign investors own a much smaller amount of Argentina's domestic debt than Mexican debt, leaving Argentina less vulnerable to speculative pressure.

● Second, an important effect of the crisis has been to show that prices of Brady bonds do not necessarily rise or fall in line with US Treasury bonds, as seemed to be happening early last year when both classes of asset moved down in tandem following the increase in US interest rates in February. On December 19, Mexican par bonds had been trading at a yield spread of 461 basis points over 30-year US Treasuries. By January 5, the spread had widened to 850 basis points.

Richard Lapper

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Baden Württemberg L-Finance	1bn	Jan.2000	8.125	99.807R	8.224	+20(7¾%-99)	CSFB/ Goldman Sachs
Bayerische Vereinsbank	500	Jan.2000	8.125	99.714R	8.197	+22(7¾%-99)	JP Morgan/ Paribas
JP Morgan & Co.	500	Jan.1997	8.00	99.825R	8.098	+25(7½%-96)	JP Morgan Securities
Crédit Local de France	300	Jan.1998	8.125	99.835R	8.189	+20(7¾%-97)	Swiss Bank Corp.
UBS Finance	250	Jan.1997	8.00	99.97R	8.017	+12(7½%-96)	UBS
Rabobank Nederland	200	Jan.1997	7.875	99.847R	7.961	+12(7½%-96)	BZW
Kingdom of Denmark	200	Jan.1997	8.00	100.035R	7.980	+12(7½%-96)	Paribas Capital Markets
LB Schleswig-Holstein	200	Jan.1997	8.25	99.975R	8.264	+40(7½%-96)	HSBC Markets
Sallie Mae	500	Feb.1997	7.875‡	100.00R	7.875	+20(7½%-96)	IBJ Intl/ Nomura Intl.
AT&T	400	Jan.2000	8.25	100.072R	8.232	+20(7¾%-99)	CS First Boston
GMAC	250	Jan.1998	8.50	99.73R	8.606	+60(7¾%-97)	CS First Boston
OKB	200	Jan.1997	8.00	101.10	7.388	-	Swiss Bank Corp.
GECC	200	Jan.1997	8.00	99.89R	8.062	+18(7½%-96)	UBS
DSL Bank(f)	200	Jan.1997	8.00	99.862R	8.077	+20(7½%-96)	Nikko Europe
Depfa Bank(f)	200	Feb.1997	8.25	99.935R	8.29	+40(7½%-96)	HSBC Markets
Bank Austria	100	Feb.1997	8.00	99.907R	8.052	+18(7½%-96)	Paribas Capital Markets
SNCB	250	Feb.2000	8.25	99.80R	8.300	+30(7¾%-99)	Merrill Lynch Intl.
STERLING							
Alliance & Leicester B/S‡	150	Jan.1998	(a)	99.78R	-	-	HSBC Markets
Birmingham Midshires B/S(e)‡	200	Apr.1998	(e1)	99.865R	-	-	NatWest Markets
OKB(e)	150	Dec.1998	8.375	99.99R	8.395	+16½(10%-98)	SG Warburg Securities
Yorkshire Electricity(l)	200	Jan.2020	9.25	98.84R	9.372	+60(8¾%-17)	UBS
D-MARKS							
LB Rheinland-Pfalz Finance(l)	400	Feb.1999	7.25	99.701R	7.339	+10(6½%-99)	Salomon Brothers
European Investment Bank	1bn	Jan.2005	7.75	101.425	7.542	-	Deutsche Bank
GECC	300	Feb.2000	7.25	99.80R	7.348	+5(7%-99)	Morgan Stanley Fkt
Luebecker Hypo.(k)‡	200	Feb.1997	(k1)	100.0075	-	-	Deutsche Bank
CCDO‡	150	Jan.1997	(a)	99.98R	-	-	Swiss Bank Corp. Fkt
FRENCH FRANCS							
Republic of Finland(s)	5bn	Apr.2005	8.50	98.935R	8.67	+30(7½%-05)	JP Morgan/ Soc. Gén.
ITALIAN LIRE							
Rabobank Nederland(c)	250bn	Dec.1997	11.05	101.205	10.51	-	BCI/ C.Italiano/ Paribas
Bayerische Hypobank(h)	200bn	Feb.1997	11.05	100.97	10.49	-	San Paolo, Torio
Deutsche Bank Finance(d)	100bn	Jan.1998	11.00	101.225	10.50	-	Deutsche Bank London
Crédit Local de France	300bn	Jan.1997	zero	82.45	10.13	-	Cariplo/Credito Italiano
Eurofima	250bn	Feb.2000	11.125	101.574	10.70	-	Deutsche Bank London
Abbey Natl.Treas.Services	200bn	Feb.1998	11.25	101.325	10.71	-	Deutsche/HSBC/S.Paolo
GECC	150bn	Feb.1998	11.05	101.24	10.55	-	Paribas Capital Markets
Sudwest. LB Cap.Mkts.(l)	150bn	Feb.1997	11.125	101.10	10.49	-	BfI Luxembourg

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
SWISS FRANCS							
Sudwest. LB Capl.Mkts.	150	Feb.2000	5.375	102.35	4.835	-	Merrill Lynch Cap.Mkts.
Bayerische Landesbank(g)	125	Oct.1998	5.375	102.75	4.535	-	Credit Suisse
DSL Finance	100	Feb.2000	5.375	102.25	4.857	-	Bqe. Paribas (Suisse)
Harvard University★	75	Feb.1997	5.50	102.35	4.250	-	Merrill Lynch Cap.Mkts.
GECC	200	Feb.1999	5.25	102.30	4.607	-	UBS
European Sovereign Invs.(a)★	125	Aug.1999	5.75	102.20	-	-	Credit Suisse
LB Schleswig-Holstein	100	Feb.2002	5.50	102.50	5.607	-	Banca del Gottardo
Oberoesterreichische LB	100	Jan.2000	5.50	102.75	4.867	-	Credit Suisse
Toyota Motor Credit Corp.	150	Feb.2001	5.375	102.50	4.894	-	Swiss Bank Corp.
GUILDERS							
BNG	500	Feb.2005	8.00	99.40R	8.090	+28(7¼%-04)	ABN Amro Bank
LUXEMBOURG FRANCS							
GECC(b)	2.5bn	Dec.2000	8.00	102.30	7.51	-	Paribas Luxembourg
Crédit Foncier de France	2bn	Mar.2002	8.25	102.625	7.75	-	Kredietbank Lux.
ECUS							
GECC	150	Jan.1999	8.25	100.075R	8.227	-	Swiss Bank Corp.
BNG(f)	50	Dec.1998	8.125	99.605R	8.236	+5(7¼%-98)	BZW
AUSTRALIAN DOLLARS							
National Australia Bank	200	Feb.1998	10.50	100.85	10.16	-	Hambros Bank
BNP Pacific (Australia)	100	Feb.1998	10.625	101.32	10.09	-	CBA
NSW Treasury Corp.★	200	Jan.1998	4.50‡	87.186	9.510	-	Nomura International
Australian Ind.Dev.Corp.	100	Feb.2000	10.25	100.425	10.14	-	Hambros Bank
Sudwest. LB Capl.Mkts.	100	Feb.1997	10.625	100.99	10.05	-	BZW
PESETAS							
Titulizacion de Activos 3(m)‡	14bn	Oct.2013	(m1,n)	100.00R	-	-	B.Stearns/ Caja Madrid
ESCUDOS							
Eurofima‡	10bn	Jan.2005	(j)	100.00	-	-	BPI

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¢With equity warrants. ★Unlisted. ‡Semi-annual coupon and yield. R: fixed re-offer price. a) 3-mth Libor flat. b) Fungible with SFr225m. Plus 90 days accrued. c) Fungible with L150bn. Plus 51 days accrued. d) Issue launched 12/12/94 was increased to L300bn. e) Callable on any coupon date from Apr.97 at par. e1) 3-mth Libor +6bp. f) Fungible with Ecu150m. Plus 55 days accrued. Spread relates to French Govt Ecu BTANs. g) 6-mth Libor -15bp. h) Increased by L50bn at 101¼% to L200bn. j) Callable anytime (Spens call). Regulatory event risk put option. k) Placement. k1) 1-mth Libor flat. l) Long 1st coupon. ll) Long last coupon. m) Collateralised by residential mortgage loans of Caja de Madrid. Est.av.life 4.3 yrs. 10% cleanup call. m1) 6-mth Libor +25bp. n) Short 1st coupon. Note: Yields are calculated on ISMA basis.

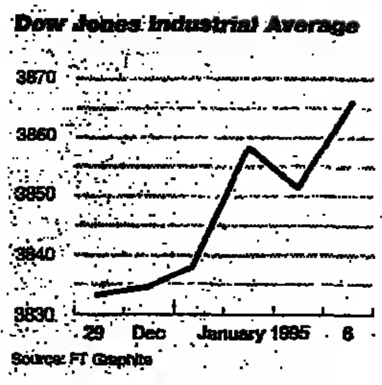
EQUITY MARKETS: This Week

NEW YORK

Lisa Bransten

Waiting for the next rise in interest rates

Dow Jones Industrial Average



Source: FT Graphite

Although today marks the beginning of 1995's first full week of trading, the questions on investors minds are the same ones they have been asking since the middle of 1994: When will the Federal Reserve raise interest rates and by how much?

In fact, the question of timing seems to have been settled on Friday, when the Labor Department reported unemployment at its lowest in four years. The data reinforced the consensus that there would be further tightening at the January 31 to February 1 meeting of the Fed's Open Market Committee.

Such widespread agreement that another rate increase is imminent should have dampened enthusiasm on *Wall Street because tight money puts* pressure on earnings by lowering spending and increasing the price of corporate borrowing. Still, the market moved ahead solidly on the news.

As to the question of how much, the consensus still holds that the Fed is most likely to raise rates by 50 basis points at it next meeting, but there is a growing feeling that the strong jobs data might push it to do more.

Some believe the Fed will replicate its November 15 move and raise rates by 75 points, which could put an end to weeks of insecurity in the market. Many are hoping that a large move by the Fed would mean the current tightening cycle – in which short-term interest rates have soared from 3 per cent at the beginning of 1994 to the current 5½ per cent – was almost over.

This week may bring a continued *boost for cyclical stocks as companies* begin reporting earnings for the fourth quarter of 1994. Many analysts expect big increases for manufacturing companies in part because growing output has not yet brought rising wages. Last week's low unemployment figures were accompanied by news that wage inflation for the year stayed under 3 per cent.

In terms of data, investors will be *looking to three important measures of* December economic activity to be released later this week: the Producer Price Index tomorrow, the Consumer Price Index on Wednesday and retail sales.

November CPI remained below 3 per cent despite gross domestic product growth close to 4 per cent. Most analysts think CPI growth will pick up. Expectations are thet the December figure will *show growth of about* 0.3 per cent in the core rate, and the rate excluding the volatile food and energy categories.

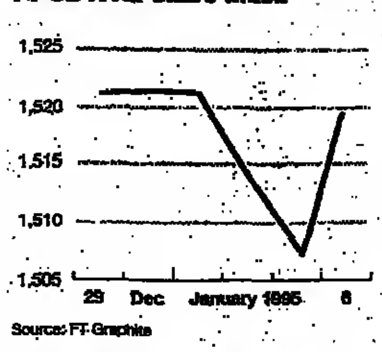
As for December PPI, analysts believe it will show a rise of close to 0.3 per cent for both the core rate and excluding food and energy. December retail sales are expected to moderate after November's 1.2 per cent growth. Analysts expect tha figure to come in *around* 0.7 per cent.

LONDON

Terry Byland

Prospects brightening as trade recovers

FT-SE-A All-Share Index



Source: FT Graphite

The first week back after the bolidays saw the stock market yawning with boredom. There were plenty of individual features but trading volumes only slowly began to recover to more normal levels and even the movement in market indices never seemed to achieve conviction.

It *may* be *that* we are *all doomed to a* tedious repetition of factors which subdued the market last autumn: a fixation on interest rate prospects and a consequent obsession with all statistics on the US and German economies. Certainly, London soon decided last week that Friday's US employment data and prospects for the next Federal Reserva Open Market Committee meeting were the points to watch.

Rule-of-thumb predictions were becoming quite clear hy the end of the week. Interest rates are going up, probably beginning with a move by the Fed at the end of the month. Since a quarter or even half-point move in Fed rates has almost certainly been discounted by glohal markets, only a three-quarter points rise will do, according to London strategists.

However, by the end of the week, *analysts were refining their opinions* and taking a more sophisticated view. interest rate rises have been well built into share prices and markets may take the announcements in their stride.

Wall Street showed no signs of interest rate crisis phobia last week and London, for all the rumour-mongering ahead of the US payroll numbers, was hardly under pressure. It could be that the UK market, while remaining subdued until the FOMC meets, will then respond to deeper investment fundamentals.

The near-term outlook may be better than it at first appears. Trading volumes are recovering quickly from the holiday. Numbers of shares traded remain short of average totals, but the value total of daily customer, or outside investor business, has returned to the £1bn range, hardly indicating a spineless market.

The market, or rather the FT-SE 100 Share Index, has been overshadowed by corrective phases in pharmaceuticals and regional electricity stocks. Turbulence in drug stocks has focused around Wellcome and should blow itself out soon.

In the case of the Recs, takeover excitement has been tempered by conviction that the Trafalgar House bid *for Northern Electric is heading for* review by the Monopolies and Mergers Commission. This could hlow away a little speculative froth, but it is hardly a reason *for* shying away altogether.

If the optimists are right, the 800 point differential between the FT-SE 100 Share Index and the Dow Jones Industrial Average will soon be recognised as a traditional buying signal. So, it could be a happy new year *after all.*

Depositary receipts

Global demand for capital heralds further growth

After a record year, the market for depositary receipts is expected to continue growing strongly in 1995, spurred by the ever-increasing globalisation of the world's equity markets.

And while the sector – a large proportion of which is made up of programmes from companies in developing nations – may be overshadowed sporadically by emerging-market upheavals such as the Mexican crisis, the long-term outlook is buoyant.

"We see no reason why the ADR business should not continue to grow, and don't see the market being harmed" by the current problems in Mexico, says Mr Joseph Velli, head of worldwide securities processing services at Bank of New York.

With buge markets set to open in Russia and China, and US investors keen on diversifying their equity portfolios, he is confident "we will bave another good year – although it will be *hard* to *top 1994* in percentage terms".

A depositary receipt represents ownership of shares which remain in safe-keeping with a hank in the issuer's home market. The receipt itself may he traded elsewhere. Dividend payments are usually in US dollars, and voting rights are usually the same as for the *underlying stock.*

There is little difference between a global depositary receipt and an American depositary receipt, although ADRs tend to be listed on a US stock exchange while GDRs are often listed in Luxembourg and increasingly in London.

According to Citihank, 285 companies from 43 countries launched DR programmes last year, up from 152 in 1993. Capital raised rose by 81 per cent, exceeding $20bn. And the volume of ADRs traded on US exchanges hit a record 7.2bn, a 16 per cent increase.

In a survey of US investment institutions, conducted last autumn by Broadgate Consultants in New York, 90 per cent of respondents said a listed ADR programme makes a foreign company more appealing as an investment opportunity.

"Overwhelmingly, US investors prefer dealing in ADRs rather than in the straigbt stock," says Mr George Avril, Broadgate's managing director. "ADRs *trade and pay dividends* in US dollars, information is more readily available, people don't have to worry about settlement – it makes it a heck of a lot easier to trade in foreign equities."

On the supply side, continued corporate and government demand for capital, especially in developing nations, heralds *further expansion. In 1994,* emerging market companies issued the majority of new programmes; according to Citibank, they accounted for 56 per cent of the DR programmes launched and for 66 per cent of the total capital raised.

"The emerging markets are grabbing an increasingly large slice of the overseas investment pie," says Mr Mark Bach, Citibank's global bead of DR sales. "In the 1990s, they have accounted for nearly 17 per cent of all US investor purchases of foreign stocks, up from just over 4 per cent for all of the 1980s."

Observers expect India, where companies raised over $2hn in 1994, to remain an active market, but heavy demand for capital is also expected from Asia and Latin America.

Central and eastern European companies are expected to raise their profile; the first Russian ADR application was filed in November, and in *Poland there are plans to allow* companies listed in Warsaw to issue ADRs.

While investors are bullish ahout central and eastern Europe's economic prospects, its markets are small and illiquid and settlement can be cumbersome, so ADRs will facilitate access to them.

Conner Middelmann

OTHER MARKETS

ZURICH

Swiss bank shares are likely to stay in the headlines this week, thanks mainly to Zurich's maverick broker-fund *manager* Mr Martin Ebner, *writes Ian Rodger*.

Union Bank of Switzerland has been hogging the limelight because of the epic struggle over its governance between the board and its largest shareholder, Mr Ebner's BK Vision investment fund. This week, BK will probably file formal legal challenges to the bank's plan to unify its share structure, adding to investor nervousness.

Meanwhile, Swiss Bank Corporation entered the fray following blunt comments by the chairman on its 1994 performance. On Wednesday and Thursday, Mr Ebner's BZ Bank was seen to be an enthusiastic buyer of both the bearer and registered shares, *setting off a flurry of rumours.*

Some thought that BZ was warehousing the shares for a bidder for the weakest and cheapest of Switzerland's three big banks, perhaps Deutsche Bank or Commerzbank or Allianz, the German insurance group: After all, wasn't it BZ that put together a 31 per cent block of Berner Holding last *June for Allianz?*

Others said that BZ was buying *for its ailing sister,* BK Vision, which was said to be seeking to offset losses on its huge UBS stake. Or maybe BZ was simply being opportunistic, as SBC shares looked cheap.

Whatever tha case, Mr Ebner was also showing that, even though both his wallet and his *Midas* reputation have been badly damaged in recent months, he can still stir up the Swiss market.

MADRID

The market faces another politically charged week, although NatWest Securities notes that the index's initial move upwards, after the Bank of Spain's decision last week to raise rates, suggested that there were few ready sellers at current levels.

MILAN

The market returns from a long holiday weekend boping for fresh progress this week to resolve the increasingly acrimonious political crisis.

Many investors *speculated* thet the president's bout of flu last week, which halted his search for a solution, might have been more of a diplomatic than a medical condition.

Analysts suggested thet Mr Oscar Luigi Scalfaro might have been awaiting the ruling, expected this week from the constitutional court, on electoral reform which would effectively rule out the snap election in March demanded by Mr Silvio Berlusconi, the prime minister.

Instead, it makes more likely the installation of a so-called institutional government, headed by a non-political figure, which is the equity market's favoured solution.

The market, itself, came under some pressure towards the end of last week. Mr John Stewart at InterEuropa in Milan noted selling of blue chips that had performed best over the previous fortnight and suggested the market might be encountering a technical correction that would leave it 3 to 4 percentage points lower.

The banking sector has returned to focus amid speculation thet Credito Italiano could be a bid target for the unquoted Cariplo, its rival bidder for Rolo.

TOKYO

Investors seeking clues to the likely course of the Nikkei index this year may look back over the last two years, when the seasonal movements demonstrated a marked similarity, *writes Emiko Terazono.*

For both 1993 and 1994, the index had a good first quarter, a dull summer, a weak autumn and a brief rally at the end of the year.

During the period, shares were depressed by profit revisions in the corporate earnings seasons and by extra supply from the flotation of formerly government-owned enterprises.

So will the first 1995 quarter repeat past performances? Mr Tom Hill, strategist at S.G. Warburg in Tokyo, says that while a historical pattern has yet to be establisbed, he expects share prices to gain ground over the the next three months. "It won't be a sharp rise, but the index will probahly move up bit by bit," he says.

HONG KONG

The Hang Seng index, which lost 6.2 per cent in the year's first short week of trading, opens today with an eye on the US, *writes Louise Lucas.* The driving concerns in Hong Kong are fears of rising interest rates, and their effect on the all important property market, and the threat of US trade sanctions against China.

Rising interest rates, fed through from the US via the currency link, depressed stock prices for much of last year and brokers expect the same fears to dictate trading through the first half of 1995.

The threat of a Sino-US trade war, sparked by intellectual property rights concerns, has already ripped into share prices, with companies manufacturing targeted products and China plays among the worst affected. China has threatened a tit-for-tat response and by Friday the index had sunk to a 15-month low.

Compiled by Michael Morgan

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Anglian Water 12% Bd '14 £1200.0
Asahi Brew. 7% Bd '99 Y700000.0
BET 1.2p
British Assets Tst 1.11p
Chichibu O. Cement 7% Bd '99 Y700000.0
Commonwealth Bk. Australia 12¾% Nts '98 A$127.50
DKB Int Fltg-Fxd Rate Gtd Nts Jul.'04 $15968.75
Forward Grp 2.5p
Furukawa 5.55% Nts 2000 Y555000.0
Guinness Fin 9% Gtd Nts '96 $90.0
Kobe Steel 6.9% Bd '98 Y690000.0
Do. 6.9% Bd 2000 Y690000.0
Kubota 6.9% Bd 2000 Y690000.0
MMT Computing 3.7p
NFC Var Vtg 1.6p
NKK 7% Nts '97 Y700000.0
Parkland 2p
Parkside Int 1p
Rolls-Royce 2p
Sapporo Brew. 5.9% Bd '03 Y590000.0
Do 7% Nts '97 Y700000.0
Skandia Cap. Gtd FRN '95 $1358.68
Sony 6⅞% Bd 2000 Y687500.0
Stoddard Sekers 0.75p
Takashimaya 5.6% Bd '01 Y560000.0
Do FRN Jan.'98 Y89194.0
TR Property Inv Tst 0.4p
Vibroplant 1.35p
Warner Howard 2.8p

■ TOMORROW
Apollo Metals Cm Pf 4p
Banco Bilbao Viz. Pts38.0
BB & EA 5.5p
Copymore 1.7p
CPL Aromas 1.2p
Fluor $0.15
Guinness 2½% Cv Nts '97 IR£1250.0
Henderson Admin 13.5p
Leo 1 Class B FRMN '35 £2067.64
Leo 2 Class B FRN '32 £206.78
Lothbury Fdg No.1 A1 FRN '31 £1302.75
Do Class A2 £1597.40
Do Class B £1799.04
National Power 4.35p
Philip Morris $0.825
Policy Portfolio 2p
Scottish Value Tst 1p
VTech (Lon) $0.015
Do (Bermuda) $0.015

■ WEDNESDAY JANUARY 11
Barclays Und FRN $277.92
Birkby 2p
City Merchants High Yld Tst 2p
Collateralised Mort. Sec No.11 B FRN '26 £190.88
CSR A$0.14
Gleeson (MJ) 10.61p
Metropolitan Est. & Prop FRN '95 Y124583.0
Powell Duffryn 8p
Property Partnerships 2.7p
Warburg (SG) FRN '06 $277.92

■ THURSDAY JANUARY 12
Body Shop 0.9p
Conversion 9% Ln '11 £4.50
Conversion 9½% Ln '01 £4.75
Caisse Fran. de Dev 12¼% Gtd Ln '13 £306.25
Cleveland Tst 2.4p
Clyde Blowers 3p
Edinburgh Inc Tst 1p
European Motor 2p
Highland Distilleries 5.5p
Kwik Save 13.5p
Lon & O'seas Freighters $0.0025
MBE Fin Ser.B Gtd Bd '01 $291.33
Penna 1p
Perpetual 25p
600 Grp 0.5p
Spandex 0.75p
Standard Chart. Und Cap FRN $302.45
Do Und Cap FRN (Ser.4) $276.00
Yeoman Inv Tst 6.4p

■ FRIDAY JANUARY 13
Anglo Am Corp S.Africa R1.10
Bradford & Bingley Building Society FRN '97 £150.62
Do FRN 1998 £152.61
British Inv Tst 2.1p
Caffyns 8p
Castings 1p
Chrysler $0.40
Commonwealth Bk. Australie FRN Jul.'98 $274.72
Do Jul.1999 $274.72
Do. Und FRN (Jul.1988) $282.39
Cropper (James) 1.1p
Dart 1.5p
Diploma 9.5p
EMAP 2.5p
Hadleigh Inds 1p
Hongkong & Shanghai Bank Prim Cap FRN $73.47
Ingham 1.75p
Jarvis Porter 1.9p
Johnson Fry Utilities Tst 1.72p
Johnson Fry Sec. Utilities Tst 1.5p
Macdonald Martin Dist. A 2.5p
Do B 1.25p
Morgan (JP) $0.75
Nat West Bank Prim Cap FRN Ser.A $284.31
Royal Bank Canada
Government Sterling Fund Ptg Pf 1p
RPC 1.1p
Sime Darby M$0.165
Southnews 1.35p
Tiger Oats R0.54
Unitas Var Rate Nts 2000 $156.53
Vistec 0.125p

■ SATURDAY JANUARY 14
Funding 3½% 99/2004 £1.75
Treas. 13% 2000 £6.50

■ SUNDAY JANUARY 15
Agricultural Mort. 5½% Db 93/95 £2.75
Am. Medical 9⅞% Un Ln '11 £4.9375
ASH (Jersey) 9½% Cv Bd 2006 4.75p
Barclays 12% Un Ln 2010 £6.0
BCE C$0.68
Treasury 9½% Ln '99 £4.75
Churchbury Ests. 4.2% Pf 2.1p
Edin. Inv Tst 3⅜% Db '98 £1.675
Franklin Res $0.10
Govett Strategic Inv 10⅜% Db '16 £5.1875
Helical Bar 2.625p
Lazard High Inc Tst 1.6p
Murray Int Tst 3.9% Pf 1.95p
Next 5¾% Bd 2003 5.75p
North Surrey Water 4% Db £2.0
Do 4¼% Db £2.125
Do 5¼% Db £2.625
Occidental Petroleum $0.25
Pacific Gas & Elect $0.49
Quebec Central Railway £2.50
Sweden 11% Ln 2012 £550.0
Witan Inv 3.4% Pf 1.7p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Save & Prosper Linked Inv. Tst., 1, Finsbury Avenue, E.C., 3.00
BOARD MEETINGS:
Finals:
Barr (AG)
French (Thomas)
Interims:
Ellis & Everard
Savills

■ TOMORROW
COMPANY MEETINGS:
Carr's Milling, Crown Hotel, Wetheral, Carlisle, 11.30
Perpetual, Phyllis Court, Henly-on-Thames, Oxon, 12.00
BOARD MEETINGS:
Finals:
Ashanti Goldfields
M & W
Osprey Comms
Quality Care Homes
Stakis
Treatt
Interims:
Bespak
Debenham Tewson & Chinnocks
Hollas
Howden

■ WEDNESDAY JANUARY 11
COMPANY MEETINGS:
Fenner, Viking Hotel, North Street, York, 10.30
Gleeson (MJ), Haredon House, London Road, North Cheam, Surrey, 12.00
BOARD MEETINGS:
Finals:
Exmoor Dual Inv Tst
FNFC
Irish Contl
Southern Business
Interims:
Banks (Sidney C)
Cray Elec
Dalepak Foods
Dixons
Fleming Geared Inc & Assets Inv Tst
Fleming Int High Inc Inv Tst
PSIT
VHE Hldgs

■ THURSDAY JANUARY 12
COMPANY MEETINGS:
Bridport-Gundry, Chartered Accountants Hall, Moorgate Place, E.C., 12.00
Euromoney Publications, Stationers Hall, Ave Maria Lane, E.C., 9.00
Foreign & Colonial PEP Inv. Tst., 8th Floor, Exchange House, Primrose Street, E.C., 11.00
McLeod Russel, Institute of Directors, 116, Pall Mall, S.W., 11.00
Royal Bank of Scotland, Balmoral Hotel, Princes Street, Edinburgh, 12.00
Sycamore Hldgs., Dennis House, Marsden Street, Manchester, 11.00
BOARD MEETINGS:
Finals:
Coda
Denmans Elec
Hawtin
Kershaw (A)
Kleinwort Charter Inv Tst
Lonrho
Microgen
Rank Org
Securicor Grp
Security Services
TSB
Throgmorton Pf Inc Tst
Willoughby's Cons
Interims:
Black (Peter)
Gibbs Mew
Goode Durrant
Jones Stroud
Jury's Hotel
Matthew Clark
Ryland Grp
Westport

■ FRIDAY JANUARY 13
COMPANY MEETINGS:
Faber Prest, Stakis St. Ermins Hotel, Caxton Street, S.W., 12.30
BOARD MEETINGS:
Finals:
Delian Lloyds Inv Tst
Interims:
Tamaris

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

هكذا من الأصل

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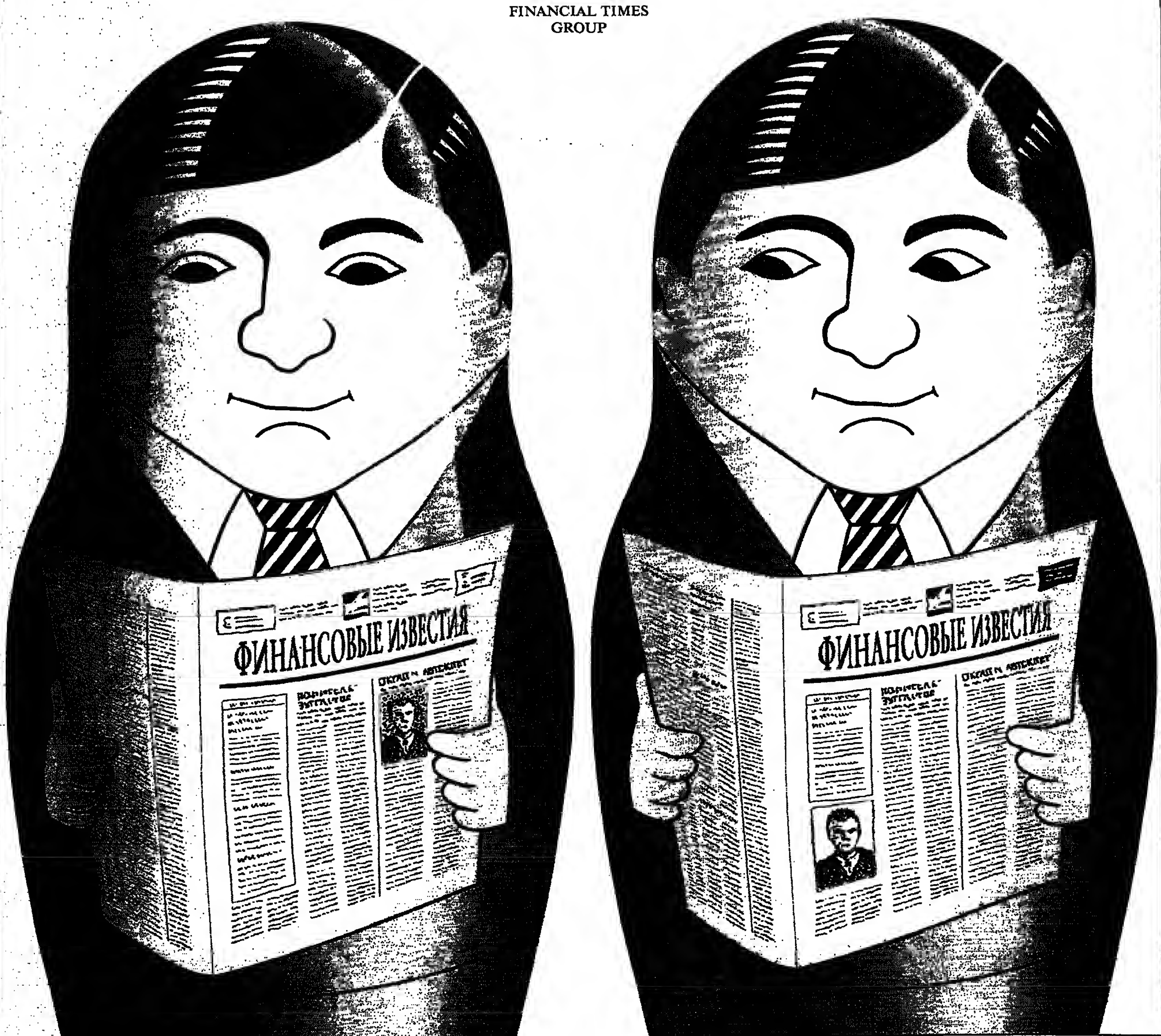

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 5 / Sch) · BELGIUM/LUXEMBOURG (Jan 6 / Frs.) · DENMARK (Jan 6 / Kr) · FINLAND (Jan 5 / Mkk) · FRANCE (Jan 6 / Frs.) · GERMANY (Jan 6 / Dm.) · ITALY (Jan 5 / Lire) · NETHERLANDS (Jan 6 / Fls.) · NORWAY (Jan 6 / Kroner) · SPAIN (Jan 5 / Pts.) · SWEDEN (Jan 5 / Kronor) · SWITZERLAND (Jan 6 / Frs.)

[illegible]

PACIFIC

JAPAN (Jan 6 / Yen) · HONG KONG (Jan 6 / H.K.$) · MALAYSIA (Jan 6 / MYR) · SINGAPORE (Jan 6 / S$) · AUSTRALIA (Jan 6 / Aust$)

[illegible]

NORTH AMERICA

CANADA · TORONTO (Jan 6 / Can $) 4 pm close · MONTREAL (Jan 6 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Jan 6 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994/95, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Friday, January 6, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	4.7m	995	+5	Nippon Steel	2.0m	366	-6
Mitsubishi Hvy	2.6m	750	-2	Kobe Steel	2.0m	302	-5
NEC	2.2m	1130		Matsushita	1.8m	1610	
Konica	2.2m	825	-9	Honshu Paper	1.8m	688	
Clarion	2.0m	518	+16	Nippon Paint	1.7m	704	-13

INDICES

	Jan 6	Jan 5	Jan 4	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	15350.42	15588.26	15414.40	25470.40	16/2/94	15313.31	27/12/94
Australia							
All Ordinaries(1/1/80)	1867.7	1869.5	1886.2	2340.60	3/2/94	1842.00	12/12/94
All Mining(1/1/80)	890.4	894.1	906.8	1136.10	3/2/94	873.10	12/12/94
Austria							
Credit Aktien(30/12/84)	(c)	391.07	392.05	469.66	2/2/94	378.94	25/10/94
Traded Index(2/1/91)	(c)	1046.38	1047.97	1222.25	1/2/94	1011.38	6/6/94
Belgium							
BEL20 (1/1/91)	1391.22	1392.05	1368.20	1542.65	9/2/94	1336.39	7/10/94
Brazil							
Bovespa (29/12/83)	38274.0	40367.0	39679.0	55110.00	13/9/94	3809.80	3/1/94
Canada							
Metals Mins♦(1975)	4146.01	4093.73	4094.60	4278.02	20/10/94	3288.06	20/4/94
Composite♦ (1975)	4150.42	4160.25	4154.50	4609.90	23/3/94	3868.90	24/6/94
Portfolio§§ (4/1/83)	2003.01	2010.00	2013.71	2182.69	1/2/94	1866.48	28/6/94
Chile							
IPGA Gen (31/12/80)	5433.3	5456.8	5443.0	5754.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	352.50	353.61	352.71	415.79	2/2/94	335.66	20/12/94
Finland							
HEX General(28/12/90)	(c)	1885.7	1865.3	1972.00	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1249.39	1242.83	1258.62	1585.20	2/2/94	1227.86	25/10/94
CAC 40(31/12/87)	1886.40	1871.53	1901.79	2363.93	2/2/94	1824.42	25/10/94
Germany							
FAZ Aktien(31/12/58)	767.88	774.05	777.43	868.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2193.2	2212.3	2223.3	2485.60	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2053.92	2062.48	2072.26	2271.11	16/5/94	1960.59	7/10/94
Greece							
Athens SE(31/12/80)	(c)	884.77	886.22	1194.58	18/1/94	804.37	22/11/94
Hong Kong							
Hang Seng(31/7/64)	7683.25	7918.36	7867.01	12201.09	4/1/94	7683.25	6/1/95
India							
BSE Sens.(1979)	3765.62	3827.73	3886.80	4628.57	12/9/94	3454.00	5/1/94
Indonesia							
Jakarta Comp.(10/8/82)	481.22	477.82	474.49	612.89	5/1/94	447.94	13/12/94
Ireland							
ISEQ Overall(4/1/88)	1886.30	1879.32	1864.16	2082.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	(c)	644.95	642.97	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	(c)	1020.0	1017.0	1020.08	5/1/95	1000.00	2/1/95
Japan							
Nikkei 225 (16/5/49)	19519.46	19616.11	19684.04	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	283.06	285.05	286.16	311.71	13/6/94	268.22	4/1/94
Topix (4/1/68)	1535.64	1547.41	1553.40	1712.73	13/6/94	1445.97	4/1/94
2nd Section (4/1/68)	2112.25	2128.47	2130.68	2542.65	6/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	955.43	965.89	957.81	1314.46	5/1/94	885.77	12/12/94
Mexico							
IPC (Nov 1978)	(u)	2273.10	2269.87	2881.17	8/2/94	1957.33	20/4/94
Netherland							
CBS TtlRtnGen(End 83)	442.5	441.5	444.9	454.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	277.8	277.0	279.1	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1903.53	1901.43	1906.11	2408.64	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1119.20	1133.96	1139.63	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2756.22	2729.37	2771.67	3308.37	4/1/94	2507.33	9/3/94
Portugal							
BTA (1977)	2884.7	2879.4	2885.0	3228.66	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	533.85	535.06	530.00	641.81	4/1/94	506.84	13/12/94
South Africa							
JSE Gold (28/9/78)	1870.6♥	1861.1	1898.9	2534.00	7/8/94	1749.00	14/2/94
JSE Ind. (28/9/78)	6956.6♥	6951.4	6961.8	6984.40	30/12/94	5448.00	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	975.32	976.06	977.01	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	(c)	283.73	288.25	358.31	31/1/94	280.33	29/12/94
Sweden							
AffarsvardsGen (1/2/37)	(c)	1513.80	1509.20	1603.90	31/1/94	1394.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1243.35	1241.32	1247.02	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	924.83	923.86	928.91	1083.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6919.31	7051.40	(c)	7181.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1363.10	1373.85	1360.63	1753.73	4/1/94	1196.59	4/4/94
Turkey							
Istanbul Cmp.(Jan 1986)	26949.8	27162.84	28385.0	29145.10	2/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	611.1*	613.7	614.5	649.90	2/11/94	581.80	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1327.39	1328.95	1337.95	1540.10	31/1/94	1286.45	5/10/94
Euro Top-100 (26/6/90)	1174.24	1169.61	1179.40	1311.01	2/2/94	1138.48	5/10/94
JCapelDrgns (31/12/88)	(u)	298.87	297.02	385.19	5/1/94	285.49	12/12/94
Barings Emerg.(7/1/92)	150.65	150.70	151.67	191.79	26/9/94	141.65	21/4/94

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jan	1882.0	1883.0	+14.0	1896.0	1875.0	17,981	22,492
Feb	1890.5	1902.5	+14.0	1893.0	1888.0	31	1,127
Mar	1899.5	1911.5	+14.0	1909.0	1896.0	179	19,419

Open interest figures for previous day.

US INDICES

Dow Jones	Jan 6	Jan 5	Jan 4	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3867.41	3850.92	3857.65	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.84	93.86	93.94	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1501.37	1492.06	1484.14	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	184.35	183.30	184.22	227.06 (3/1/94)	173.94 (22/11/94)	256.45 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high (u) (3878.83) Low (u) (3825.35) (Theoretical♦)
Day's high 3887.28 (3860.68) Low 3841.64 (3843.52) (Actual♦)

Standard and Poors	Jan 6	Jan 5	Jan 4	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	460.68	460.34	460.71	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	547.55	547.24	547.70	563.10 (28/10/94)	510.05 (21/4/94)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	42.11	42.03	42.05	46.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	251.59	251.39	251.46	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.12	433.76	433.54	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	749.89	745.66	745.84†	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Dec 30	Dec 23	Dec 16	Year ago
Dow Jones Ind. Div. Yield	2.79	2.78	2.80	2.68
	Jan 4	Dec 28	Dec 21	Year ago
S & P Ind. Div. yield	2.45	2.44	2.45	2.40
S & P Ind. P/E ratio	18.71	18.76	18.68	27.43

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	463.20	463.00	-0.25	465.70	461.65	45,904	202,088
Jun	467.90	467.30	-0.30	469.80	466.10	397	8,386
Sep	473.00	472.55	-0.35	474.60	471.50	56	2,725

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	8,852,600	35⅝	-1⅛
A T & T	5,450,200	48¼	-1⅜
Adv Micro	4,510,500	27⅞	+2⅝
Wal-Mart	4,310,300	23	+⅛
Chrysler	4,084,300	52⅝	+1
Motorola	3,648,900	58	+⅝
Gen Motors	3,570,909	43¼	+⅛
RJR Nabisco	3,466,600	5⅞	-⅛
IBM	3,039,900	75⅞	+1⅛
Sprint Cp	2,287,600	27⅞	+½

TRADING ACTIVITY

● Volume (million)

	Jan 6	Jan 5	Jan 4
New York SE	308.075	309.732	319.455
Amex	22.200	18.415	23.812
NASDAQ	(u)	272.642	269.252
NYSE			
Issues Traded	2,933	2,922	2,939
Rises	1,222	1,130	1,411
Falls	960	1,082	937
Unchanged	751	710	590
New Highs	27	24	25
New Lows	62	35	68

** Sat Dec 31: Taiwan Weighted Price (c); Korea Comp Ex (c). Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 28 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 6 - 2058.20 +8.74.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jan 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9569	-0.1448	501 - 664	17.0854	16.9500	16.9445	1.0	16.9039	1.3	-	-	116.8
Belgium	(BFr)	49.8037	-0.1796	801 - 272	49.9770	49.7770	49.7637	1.0	49.6487	1.2	49.0087	1.6	117.4
Denmark	(DKr)	9.5079	-0.0325	040 - 116	9.5447	9.5029	9.5097	-0.2	9.5025	0.2	9.4778	0.3	117.0
Finland	(FM)	7.4004	-0.0381	953 - 054	7.4740	7.3780	-	-	-	-	-	-	89.8
France	(FFr)	8.3502	-0.0228	477 - 527	8.3824	8.3457	8.3479	0.3	8.3414	0.4	8.2793	0.9	110.1
Germany	(DM)	2.4194	-0.0082	186 - 202	2.4308	2.4178	2.4174	1.0	2.4115	1.3	2.3745	1.9	127.0
Greece	(Dr)	375.857	-1.301	641 - 073	377.404	375.554	-	-	-	-	-	-	-
Ireland	(I£)	1.0098	-0.0018	093 - 103	1.0138	1.0091	1.0096	0.2	1.0098	0.0	1.0091	0.1	105.0
Italy	(L)	2531.35	-4.8	016 - 253	2539.40	2529.65	2536.1	-2.3	2545.75	-2.3	2589.75	-2.3	73.0
Luxembourg	(LFr)	49.8037	-0.1796	801 - 272	49.9770	49.7770	49.7637	1.0	49.6487	1.2	49.0087	1.6	117.4
Netherlands	(Fl)	2.7113	-0.0106	105 - 123	2.7221	2.7101	2.7092	1.0	2.7031	1.2	2.6639	1.8	121.4
Norway	(NKr)	10.5624	-0.0309	591 - 656	10.6056	10.5578	10.5617	0.1	10.5607	0.1	10.5524	0.1	95.6
Portugal	(Es)	249.018	-0.727	900 - 136	251.517	248.893	249.838	-4.0	251.313	-3.7	-	-	-
Spain	(Pta)	207.813	+0.108	663 - 963	208.129	207.199	208.168	-2.0	208.893	-2.1	212.043	-2.0	83.8
Sweden	(SKr)	11.6875	+0.086	798 - 952	11.7528	11.5995	11.7045	-1.7	11.733	-1.6	11.8435	-1.3	75.3
Switzerland	(SFr)	2.0306	-0.0104	299 - 313	2.0431	2.0299	2.0268	2.2	2.016	2.3	1.9694	3.0	122.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.0
Ecu	-	1.2732	-0.0025	727 - 738	1.2770	1.2727	1.2728	0.3	1.2725	0.2	1.2646	0.7	-
SDR†	-	0.931256	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5540	-0.0061	537 - 543	1.5640	1.5511	-	-	-	-	-	-	-
Brazil	(R)	1.3034	-0.0122	016 - 051	1.3200	1.3010	-	-	-	-	-	-	-
Canada	(C$)	2.1776	-0.0142	768 - 769	2.1958	2.1751	2.1778	-0.1	2.1794	-0.3	2.1902	-0.6	84.7
Mexico	(New Peso)	8.5751	+0.0548	960 - 541	8.6700	8.4305	-	-	-	-	-	-	-
USA	($)	1.5535	-0.0099	532 - 537	1.5656	1.5525	1.5533	0.2	1.5532	0.1	1.5516	0.1	63.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0274	-0.0094	264 - 283	2.0469	2.0250	2.0303	-1.7	2.037	-1.9	2.0738	-2.3	-
Hong Kong	(HK$)	12.0524	-0.0561	489 - 559	12.1381	12.0424	12.0214	3.1	12.0839	-1.0	11.9969	0.5	-
India	(Rs)	48.7279	-0.3066	161 - 396	49.1090	48.6840	-	-	-	-	-	-	-
Japan	(Y)	157.357	-0.55	293 - 421	158.230	157.290	156.857	3.8	155.752	4.1	149.807	4.9	186.1
Malaysia	(M$)	3.9636	-0.023	622 - 650	3.9916	3.9600	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4383	-0.0082	360 - 405	2.4583	2.4347	2.4441	-2.9	2.455	-2.7	2.4895	-2.1	-
Philippines	(Peso)	38.0285	-0.3205	447 - 123	38.1400	37.9440	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8275	-0.0371	264 - 287	5.8729	5.8235	-	-	-	-	-	-	-
Singapore	(S$)	2.2584	-0.0132	573 - 595	2.2733	2.2560	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5261	-0.0328	240 - 281	5.5649	5.5200	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3148	-0.0166	982 - 313	6.3672	6.2925	-	-	-	-	-	-	-
South Korea	(Won)	1229.64	-5.25	936 - 991	1238.17	1228.50	-	-	-	-	-	-	-
Taiwan	(T$)	40.8713	-0.3132	870 - 555	41.1539	40.7850	-	-	-	-	-	-	-
Thailand	(Bt)	39.0382	-0.2441	242 - 522	39.3360	39.0240	-	-	-	-	-	-	-

†SDR rates for Jan 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9165	-0.0295	130 - 200	10.9220	10.8130	10.909	0.6	10.8925	0.9	10.795	1.1	104.8
Belgium	(BFr)	32.0600	+0.068	500 - 700	32.1100	31.8840	32.0375	0.8	31.965	1.2	31.585	1.0	106.4
Denmark	(DKr)	6.1205	+0.018	190 - 220	6.1330	6.0910	6.1212	-0.1	6.123	-0.2	6.1075	0.2	105.3
Finland	(FM)	4.7638	+0.0057	613 - 663	4.8009	4.7202	4.7616	0.6	4.7568	0.6	4.7363	0.6	83.4
France	(FFr)	5.3753	+0.0195	745 - 760	5.3880	5.3440	5.3746	0.2	5.3705	0.4	5.3353	0.7	106.5
Germany	(D)	1.5575	+0.004	572 - 577	1.5605	1.5490	1.5564	0.8	1.5526	1.2	1.5303	1.7	107.7
Greece	(Dr)	241.950	+0.7	850 - 050	242.200	240.800	244.45	-12.4	248.7	-11.2	265.45	-9.7	68.3
Ireland	(I£)	1.5384	-0.0071	378 - 389	1.5482	1.5373	1.5386	-0.1	1.5381	0.1	1.5384	0.0	-
Italy	(L)	1629.50	+7.25	900 - 000	1630.25	1620.25	1632.6	-2.5	1639	-2.3	1668	-2.4	73.5
Luxembourg	(LFr)	32.0600	+0.068	500 - 700	32.1100	31.8840	32.0375	0.8	31.965	1.2	31.585	1.5	106.4
Netherlands	(Fl)	1.7455	+0.0043	452 - 457	1.7485	1.7365	1.7442	0.6	1.7404	1.2	1.7167	1.8	106.1
Norway	(NKr)	6.7993	+0.0233	983 - 003	6.8100	6.7600	6.7958	0.7	6.7898	0.6	6.7393	0.9	96.7
Portugal	(Es)	160.300	+0.55	250 - 350	161.270	159.500	160.875	-4.3	161.925	-4.1	165.425	-3.2	95.3
Spain	(Pta)	133.775	+0.915	700 - 850	133.850	132.650	134.02	-2.2	134.49	-2.1	136.625	-2.1	79.0
Sweden	(SKr)	7.5236	+0.0899	198 - 273	7.5381	7.4213	7.5349	-1.8	7.5541	-1.6	7.6311	-1.4	81.0
Switzerland	(SFr)	1.3072	+0.0017	069 - 074	1.3105	1.3005	1.3049	2.1	1.3	2.2	1.2682	2.6	107.7
UK	(£)	1.5535	-0.0099	532 - 537	1.5656	1.5525	1.5533	0.2	1.5532	0.1	1.5515	0.1	88.2
Ecu	-	1.2202	-0.0054	199 - 204	1.2273	1.2191	1.2204	-0.2	1.2207	-0.1	1.2272	-0.6	-
SDR†	-	1.45389	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0004	+0.0025	003 - 004	1.0004	0.9990	-	-	-	-	-	-	-
Brazil	(R)	0.8390	-0.0025	380 - 400	0.8440	0.8380	-	-	-	-	-	-	-
Canada	(C$)	1.4010	-0.0002	015 - 020	1.4027	1.3985	1.4019	0.0	1.4032	-0.4	1.4114	-0.7	81.4
Mexico	(New Peso)	5.5200	+0.07	700 - 700	5.5750	5.4000	5.521	-0.2	5.5228	-0.2	5.5302	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3051	+0.0023	046 - 055	1.3090	1.2975	1.3059	-0.7	1.3077	-0.8	1.3204	-1.2	91.0
Hong Kong	(HK$)	7.7585	+0.0133	575 - 595	7.7625	7.7440	7.7565	0.3	7.7553	0.2	7.763	-0.1	-
India	(Rs)	31.3675	+0.0025	650 - 700	31.3700	31.3650	31.4375	-2.7	31.5825	-2.7	-	-	-
Japan	(Y)	101.295	+0.29	270 - 320	101.390	100.880	100.985	3.7	100.285	4.0	96.43	4.8	147.3
Malaysia	(M$)	2.5515	+0.0015	510 - 520	2.5525	2.5487	2.5485	1.4	2.544	1.2	2.572	-0.8	-
New Zealand	(NZ$)	1.5698	+0.0041	684 - 708	1.5711	1.5625	1.5705	-0.7	1.573	-0.8	1.582	-0.8	-
Philippines	(Peso)	24.4800	-0.05	300 - 300	24.5500	24.4200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7514	-	512 - 515	3.7515	3.7512	3.755	-1.1	3.7619	-1.1	3.7764	-0.7	-
Singapore	(S$)	1.4538	+0.0008	533 - 543	1.4550	1.4523	1.4523	1.3	1.4468	1.4	1.4323	1.5	-
S Africa (Com.)	(R)	3.5573	+0.0015	565 - 580	3.5590	3.5538	3.5728	-5.2	3.6049	-5.4	3.7698	-6.0	-
S Africa (Fin.)	(R)	4.0650	+0.018	550 - 750	4.0805	4.0550	4.093	-8.3	4.1375	-7.1	4.375	-7.8	-
South Korea	(Won)	791.550	+1.85	500 - 600	791.600	789.700	794.55	-4.5	798.05	-3.3	918.55	-3.2	-
Taiwan	(T$)	26.3100	-0.0338	600 - 800	26.3600	26.2600	26.33	-0.9	26.37	-0.8	-	-	-
Thailand	(Bt)	25.1300	+0.003	250 - 350	25.1350	25.1200	25.1595	-1.4	25.2505	-1.9	25.655	-2.1	-

†SDR rate for Jan 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 5. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 6	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5¼	5⅜	5¾	5¾	6⅛	7.40	4.50	-
week ago	5¼	5⅜	5¾	5¾	6¼	7.40	4.50	-
France	5⅝	5¾	6	6⅛	7	5.00	-	6.40
week ago	5⅜	5¾	6⅛	6¾	7⅛	5.00	-	6.75
Germany	4.83	5.02	5.15	5.35	5.85	6.00	4.50	4.85
week ago	4.88	5.02	5.23	5.43	5.83	6.00	4.50	4.85
Ireland	5⅜	5⅞	6⅜	6⅞	7⅛	-	-	6.25
week ago	5⅜	5⅞	6⅜	6⅞	7⅛	-	-	6.25
Italy	8⅝	8⅝	9⅛	9⅜	10⅜	-	7.50	8.20
week ago	8⅝	8⅝	8⅞	9¾	10½	-	7.50	8.20
Netherlands	4.84	5.16	5.23	5.46	5.96	-	5.25	-
week ago	4.84	5.18	5.37	5.57	5.95	-	5.25	-
Switzerland	3¾	3⅞	4⅛	4⅛	4¾	6.625	3.50	-
week ago	3¾	3⅞	4⅛	4½	4⅞	6.625	3.50	-
US	5¾	5⅞	6¼	6⅞	7¼	-	4.75	-
week ago	5½	5⅞	6⅜	6⅞	7¾	-	4.75	-
Japan	2⅜	2⅜	2⅜	2⅛	2⅞	-	1.75	-
week ago	2¼	2⅜	2⅜	2⅛	2⅞	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	5¾	6⅛	6⅞	7⅞	-	-	-
week ago	-	5¾	6½	7	7⅞	-	-	-
US Dollar CDs	-	5.70	6.20	6.73	7.47	-	-	-
week ago	-	5.70	6.00	6.54	7.34	-	-	-
SDR Linked Ds	-	4¾	4⅞	5¼	5⅜	-	-	-
week ago	-	4¾	4⅞	5½	5⅜	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 6⅛; 6 mths: 6⅜; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 5/16 - 5 3/16	5⅝ - 5½	6¼ - 6⅛
Danish Krone	5¼ - 5	5⅝ - 5⅜	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	4 15/16 - 4 13/16	4⅞ - 4¾	5 - 4⅞	5⅛ - 5	5⅜ - 5¼	5⅞ - 5¾
Dutch Guilder	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5¼ - 5⅛	5½ - 5⅜	6 - 5⅞
French Franc	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5⅝ - 5½	6 - 5⅞	6 5/16 - 6 3/16	7 - 6⅞
Portuguese Esc.	8¾ - 8⅝	9 5/16 - 9 3/16	10½ - 10⅛	11⅛ - 10⅞	10¾ - 10¼	11¾ - 11¼
Spanish Peseta	8½ - 8⅜	8½ - 8⅜	8 13/16 - 8 11/16	9 5/16 - 9 3/16	9 15/16 - 9 13/16	10½ - 10⅜
Sterling	6 - 5¾	6 - 5⅞	6 1/16 - 5 15/16	6 7/16 - 6 5/16	7 1/16 - 6 15/16	7 13/16 - 7 11/16
Swiss Franc	3⅞ - 3⅝	3⅞ - 3⅝	3 15/16 - 3 13/16	4¼ - 4⅛	4½ - 4⅜	4 15/16 - 4 13/16
Can. Dollar	5⅝ - 5 7/16	5¾ - 5 9/16	5⅞ - 5¾	6 13/16 - 6 11/16	7⅝ - 7½	8½ - 8⅜
US Dollar	5 13/16 - 5 11/16	5 13/16 - 5 11/16	5⅞ - 5¾	6 5/16 - 6 3/16	6 15/16 - 6 13/16	7 13/16 - 7 11/16
Italian Lira	8 - 7½	8⅞ - 8¼	8 11/16 - 8 7/16	9 1/16 - 8 15/16	9¾ - 9⅝	10 9/16 - 10 7/16
Yen	2¼ - 2⅛	2⅜ - 2¼	2 5/16 - 2 3/16	2 7/16 - 2⅜	2 13/16 - 2 11/16	2 13/16 - 2⅝
Asian $Sing	3⅞ - 5⅝	4⅜ - 4¼	3⅝ - 3½	4 5/16 - 4 3/16	4 7/16 - 4 5/16	4¾ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.87	92.93	+0.07	92.98	92.82	100,893	453,089
Jun	92.15	92.22	+0.08	92.27	92.08	112,133	376,490
Sep	91.78	81.84	+0.07	91.61	91.72	73,613	294,528

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.53	93.60	+0.07	93.62	93.51	1,546	14,798
Jun	92.86	92.90	-0.08	92.94	92.79	241	3,697
Sep	92.42	92.54	-0.09	92.57	92.42	95	934

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.09	16.77	4.857	2.028	5082	5.446	21.20	500.0	417.3	23.47	4.078	2.008	4.373	3.120	316.1	2.556
Denmark	(DKr)	52.38	10	8.782	2.544	1.062	2662	2.852	11.11	261.9	218.6	12.29	2.136	1.052	2.291	1.634	165.5	1.339
France	(FFr)	59.64	11.39	10	2.897	1.210	3031	3.248	12.65	298.2	248.9	14.00	2.432	1.198	2.608	1.861	188.5	1.525
Germany	(DM)	20.59	3.931	3.452	1	0.410	1046	1.121	4.365	102.9	85.90	4.833	0.840	0.413	0.900	0.642	65.07	0.526
Ireland	(I£)	49.31	9.414	8.267	2.395	1	2506	2.685	10.46	246.5	205.7	11.57	2.011	0.990	2.158	1.539	155.8	1.260
Italy	(L)	1.968	0.376	0.330	0.096	0.040	100.	0.107	0.417	9.838	8.210	0.462	0.080	0.040	0.086	0.061	6.219	0.050
Netherlands	(Fl)	18.36	3.506	3.079	0.892	0.372	933.3	1	3.894	91.81	76.62	4.310	0.749	0.369	[illegible]	[illegible]	[illegible]	[illegible]
Norway	(NKr)	47.18	9.004	7.907	2.291	0.956	2397	2.568	10	235.8	196.8	11.07	1.923	0.947	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Es)	20.00	3.810	3.353	0.971	0.406	1016	1.089	4.241	100.	83.45	4.695	0.810	0.402	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Pta)	23.97	4.576	4.018	1.164	0.486	1218	1.305	5.082	119.8	100.	5.626	0.977	0.481	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(SKr)	42.60	8.133	7.143	2.069	0.864	2165	2.320	9.033	213.0	177.8	10	1.737	0.855	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(SFr)	24.52	4.681	4.111	1.191	0.497	1246	1.335	5.198	122.6	102.3	5.756	1	0.492	[illegible]	[illegible]	[illegible]	[illegible]
UK	(£)	49.80	9.508	8.350	2.419	1.010	2531	2.712	10.56	249.0	207.8	11.69	2.031	1	[illegible]	[illegible]	[illegible]	[illegible]
Canada	(C$)	22.87	4.365	3.834	1.111	0.464	1162	1.245	4.848	114.3	95.41	5.367	0.933	0.459	[illegible]	[illegible]	[illegible]	[illegible]
US	($)	32.06	6.118	5.373	1.557	0.650	1629	1.745	6.795	160.2	133.7	7.523	1.307	0.644	[illegible]	[illegible]	[illegible]	[illegible]
Japan	(Y)	31.64	6.041	5.305	1.537	0.642	1608	1.723	6.709	158.2	132.0	7.427	1.290	0.635	[illegible]	[illegible]	[illegible]	[illegible]
Ecu		39.12	7.469	6.559	1.900	0.793	1988	2.130	8.295	195.6	163.2	9.183	1.595	0.786	[illegible]	[illegible]	[illegible]	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kroner per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6458	0.6407	-0.0053	0.6471	0.6402	24,947	71,461
Jun	0.6490	0.6434	-0.0055	0.6484	0.6430	59	1,968
Sep	-	0.6463	-0.0055	-	0.6500	6	146

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7708	0.7661	-0.0046	0.7720	0.7649	17,469	35,499
Jun	0.7758	0.771-	-0.0046	0.7765	0.7702	108	714
Sep	-	0.7775	-0.0046	-	0.7765	6	60

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.9979	0.9932	-0.0046	0.9982	0.9928	18,995	61,298
Jun	1.0087	1.0055	-0.0046	1.0105	1.0052	397	6,823
Sep	-	1.0182	-0.0046	1.0192	1.0185	10	340

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.5610	1.5486	-0.0136	1.5650	1.5474	5,901	53,654
Jun	1.5570	1.5482	-0.0136	1.5640	1.5482	3	541
Sep	-	1.5476	-0.0136	1.5630	1.5480	5	4

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
1.500	4.78	4.93	5.30	-	0.14	0.54
1.525	2.37	2.87	3.47	-	0.56	1.16
1.550	0.45	1.37	2.09	0.56	1.50	2.22
1.575	-	0.52	1.13	2.59	3.06	3.68
1.600	-	0.13	0.54	5.00	5.18	5.57
1.625	-	-	0.22	7.50	7.53	7.67

Previous day's vol., Calls 7,410 Puts 14,629. Prev. day's open int., Calls 212,018 Puts 241,110

■ **Pound in New York**

Jan 6	—Close—	—Prev. close—
£ spot	1.5505	1.5630
1 mth	1.5503	1.5628
3 mth	1.5501	1.5626
1 yr	1.5483	1.5615

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

BANK RETURN

BANKING DEPARTMENT	Wednesday January 4, 1995	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	754,121,248	-273,067,677
Bankers deposits	1,827,406,038	-79,697,457
Reserve and other accounts	4,201,017,679	+909,828,750
	6,797,097,965	+557,063,416
Assets		
Government securities	1,067,929,789	+10,190,000
Advance and other accounts	5,281,336,450	+1,032,760,241
Premises, equipment and other secs	441,925,860	-479,406,626
Notes	5,712,694	-6,455,397
Coin	193,172	-24,802
	6,797,097,965	+557,063,418
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	19,474,287,306	-973,544,603
Notes in Banking Department	5,712,694	-6,455,397
	19,480,000,000	-980,000,000
Assets		
Other Government securities	10,442,600,761	-2,110,045,684
Other Securities	9,037,399,239	+1,130,045,684
	19,480,000,000	-980,000,000

FT GOLD MINES INDEX

	Jan 6	% chg since 30/12/94	Jan 0	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	Low
Gold Mines Index (34)	1801.06	-8.8	1820.26	44.11	100.00	2.43	2385.13	1782.02
■ Regional indices								
Africa (16)	2868.40	-8.4	2990.39	15.37	34.84	4.58	3711.87	2304.45
Australasia (7)	2206.11	-10.2	2247.55	5.66	12.83	2.33	3013.89	2171.66
North America (11)	1388.34	-10.1	1424.22	23.08	52.32	0.95	2039.85	1398.54

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Jan 6 ; 234.2; week's change: -8.1 points; Year ago: 259.9.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.89	99	90½	Asset Man Inv	99	+1	-	-	-	-
-	F.P.	4,219.0	258	245½	BSkyB	248	+½	N-	-	-	46.3
-	F.P.	37.8	64	43	Brit Assets Gth	61½	-1½	-	-	-	-
-	F.P.	69.3	173	133	Clydeport	168		RN3.51	-	2.8	-
$10	F.P.	38.0	625	600	First Russian Fr	600	-16	-	-	-	-
100	F.P.	45.5	94	91	Fleming Nat Res	81	-1	-	-	-	-
100	F.P.	28.1	106	96	For & Col Emrg C	98	-½	-	-	-	-
500	F.P.	45.1	510	490	Gartmore Mic Uts	508		-	-	-	-
-	F.P.	27.7	102	84	Hill Hire	102		N3.38	2.0	4.1	12.7
90	F.P.	10.0	83	83	Hydro Intl.	83		RN-	-	-	33.8
120	F.P.	25.6	123	123	Innovative Techs	123		N-	-	-	-
-	F.P.	218.9	92	80¼	Invest Capital Gth	88½		-	-	-	-
-	F.P.	92.8	39	38	Do Inc Annuity	37½		F5.3	-	17.7	-
100	F.P.	27.0	103	100	Kiln Capital	100		F4.0	-	5.0	-
100	F.P.	58.2	101	97	Leg & Gen Recvry	97	-1	-	-	-	-
§3	F.P.	5.65	3½	3	MICE Group	3¼	+¼	bN0.1	3.2	3.7	10.4
100	F.P.	42.5	94	82	Matheson Lloyds	85		-	-	-	-
-	F.P.	24.8	130	100	Pentex Oil	124	-1	-	-	-	-
175	F.P.	34.7	210	203	RM	206		N4.8	3.1	2.9	13.3
-	F.P.	5.64	108	101	Residential Prop	108		-	-	-	-
120	F.P.	63.0	144	120	SeePerfect	128		-	-	-	-
182	F.P.	1,416.5	188	167	TeleWest	167	-2	-	-	-	-
100	F.P.	17.8	102	102	Wellington Un.	102		-	-	-	-
-	F.P.	257.9	123	118	Woodchester Units	123		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994/95 High	Low	Stock	Closing price p	+or-
37	Nil	3/1	5pm	2pm	DMI	2pm	
440	Nil	22/2	54pm	46pm	Powell Duffryn	53pm	+2
10	Nil	9/1	½pm	½pm	Tomorrows Leis	½pm	
25	Nil	10/2	¾pm	¼pm	Trio	¾pm	
7½	Nil	3/2	1½pm	½pm	Verity	¾pm	
90	Nil	9/2	15pm	4pm	Walker G'bank	7pm	

UK INTEREST RATES

LONDON MONEY RATES

Jan 6	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅝ - 3½	5 13/16 - 5¼	6 1/16 - 5¾	6⅜ - 6 3/16	7 1/16 - 6 15/16	7 13/16 - 7 11/16
Sterling CDs	-	-	5⅞ - 5 13/16	6 13/16 - 6⅛	7 - 6⅞	7 13/16 - 7¾
Treasury Bills	-	-	5 13/16 - 5⅞	6⅛ - 6 1/16	-	-
Bank Bills	-	-	5 13/16 - 5⅞	6 3/16 - 6⅛	6⅞ - 6¾	-
Local authority deps.	5 13/16 - 6 11/16	6 13/16 - 5 13/16	6 1/16 - 5 15/16	6 7/16 - 6 5/16	7 1/16 - 6 15/16	7 13/16 - 7 11/16
Discount Market deps	5½ - 4¼	5¾ - 6½	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¼	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.9162pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 26, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 6	Dec 30		Jan 6	Dec 30
Bills on offer	£350m	£350m	Top accepted rate	5.9363%	5.8182%
Total of applications	£1510m	£1501m	Ave. rate of discount	5.9033%	5.9162%
Total allocated	£350m	£350m	Average yield	5.9915	6.0047%
Min. accepted bid	£98.520	£98.525	Offer at next tender	£350m	£350m
Allotment at min. level	50%	100%	Min. accept. bid 182 days	-	-

BASE LENDING RATES

	%
Adam & Company	6.25
Allied Trust Bank	6.25
AIB Bank	6.25
●Henry Ansbacher	6.25
Bank of Baroda	6.25
Banco Bilbao Vizcaya	6.25
Bank of Cyprus	6.25
Bank of Ireland	6.25
Bank of India	6.25
Bank of Scotland	6.25
Barclays Bank	6.25
Brit Bk of Mid East	6.25
●Brown Shipley & Co Ltd	6.25
Citibank NA	6.25
Clydesdale Bank	6.25
The Co-operative Bank	6.25
Coutts & Co	6.25
Credit Lyonnais	6.25
Cyprus Popular Bank	6.25
Duncan Lawrie	6.25
Exeter Bank Limited	7.25
Financial & Gen Bank	6.5
●Robert Fleming & Co	6.25
Girobank	6.25
●Guinness Mahon	6.25
Habib Bank AG Zurich	6.25
●Hambros Bank	6.25
Heritable & Gen Inv Bk	6.25
●Hill Samuel	6.25
C. Hoare & Co	6.25
Hongkong & Shanghai	6.25
Julian Hodge Bank	6.25
●Leopold Joseph & Sons	6.25
Lloyds Bank	6.25
Meghraj Bank Ltd	6.25
Midland Bank	6.25
* Mount Banking	6.25
NatWestminster	6.25
●Rea Brothers	6.25
* Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	8
Royal Bk of Scotland	6.25
Singer & Friedlander	6.25
●Smith & Williamson Secs	6.25
TSB	6.25
●United Bk of Kuwait	6.25
Unity Trust Bank Plc	6.25
Western Trust	6.25
Whiteaway Laidlaw	6.25
Yorkshire Bank	6.25

● Members of London Investment Banking Association
* In administration

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas 12pc 1995		100 13/32xd	—	2,350	Ja25 Jy25	19.12	1294
Exch 3pc Gas 1990-95		99	0.1	214	My1 Nv1	28.9	1271
10¼pc 1995		101 7/8xd	—	2,500	Ja21 Jy21	15.12	1254
Treas 12¾pc 1995‡‡		104¾	-.1	840	My15 Nv15	18.10	1296
14pc 1996		106 5/8xd	-.1	770	Ja22 Jy22	18.12	1305
15¼pc 1996‡‡		109 11/16	-.1	1,150	My3 Nv3	27.9	1309
Exch 13¼pc 1996‡‡		107 3/8	—	800	My15 Nv15	18.10	1288
Conversion 10pc 1996		103¼	—	3,409	My15 Nv15	10.10	1240
Treas Cnv 7pc 1997‡‡		97 5/8xd	-.1	1,889	Au6 Fe6	2.1	—
Treas 13¼pc 1997‡‡		109 5/8xd	-.1	1,290	Ja22 Jy22	16.12	1302
Exch 10½pc 1997		104 3/16	-.1	3,700	Fe21 Au21	15.7	1253
Treas 8¾pc 1997‡‡		100 11/16	—	6,550	Mr1 Se1	28.7	1341
Exch 15pc 1997		115 7/8	—	930	Ap27 Oc27	20.9	1289
9¾pc 1998		103 7/8xd	0.1	3,550	Ja19 Jy19	13.12	1273
Treas 7¼pc 1998‡‡		96 3/8	0.1	2,150	Mr30 Se30	24.8	—
Treas 6¾pc 1995-98‡‡		95	—	1,200	My1 Nv1	26.9	1331
14pc 1998-1		115 3/8	-.1	970	My22 Nv22	17.10	1306
Treas 15½pc '98‡‡		121 3/8	—	956	Mr30 Se30	24.8	1308
Exch 12pc 1998		110 3/8	0.1	3,400	My20 Nv20	17.10	1259
Treas 9½pc 1999‡‡		102 15/32xd	0.1	1,900	Ja15 Jy15	8.12	1347
Exch 12¼pc 1999		112 1/8	0.1	3,050	Mr26 Se26	22.8	1264
Treas 10½pc 1999		106 5/8	0.1	1,252	My19 Nv19	17.10	1288
Treas 6pc 1999‡‡		90 3/16xd	0.3	5,900	Fe18 Au10	4.1	—
Five to Fifteen Years							
Conversion 10¼pc 1999		106 1/8	0.1	1,798	My22 Nv22	17.10	1242
Treas Flg Rate 1999		99 7/8	0.1	2,500	MrJeSeDe	2.11	—
9pc 2000		97 3/8	0.1	2,500	Ja7 De7	—	—
Conv 9pc 2000‡‡		101¼	0.1	5,358	Mr3 Se3	28.7	1244
Treas 13pc 2000		118 3/4xd	0.1	3,171	Ja14 Jy14	8.12	1290
10pc 2001		105 3/8	0.1	4,406	Fe26 Au26	20.7	1260
7pc 2001‡‡		91¼	0.1	4,350	My6 Nv6	30.9	—
9¾pc 2002		104 3/8	0.1	6,527	Fe27 Au27	21.7	1349
8pc 2003‡‡		95 1/8	0.3	7,950	Ja10 De10	8.11	—
10pc 2003		107	0.2	2,503	Mr8 Se8	2.8	1281
Treas 11½pc 2001-4		111 13/16	0.1	1,620	Mr16 Se16	15.8	1290
Funding 3½pc 1999-4		73 13/32xd	0.1	543	Ja14 Jy14	8.12	1274
Conversion 9½pc 2004		104 13/16	0.2	3,412	Ap25 Oc25	19.9	1246
Treas 6¾pc 2004‡‡		87 13/16	0.3	6,500	My26 Nv26	20.10	3541
8½pc 2005		98 7/8	0.2	4,400	Ja7 De7	—	—
Conv 9½pc 2005		105 1/16	0.2	4,842	Ap18 Oc18	12.9	1247
Treas 12½pc 2003-5		120 7/8	0.1	2,200	My21 Nv21	17.10	1295
7¾pc 2006‡‡		89 13/16	0.2	3,800	Mr8 Se8	2.8	—
8pc 2002-6‡‡		94 13/16	0.2	2,000	Ap5 Oc5	1.9	1334
Treas 11¾pc 2003-7		115 1/4xd	—	3,150	Ja22 Jy22	16.12	1293
Treas 8½pc 2007‡‡		98 13/32xd	0.3	7,197	Ja16 Jy16	12.12	1339
13½pc 2004-8		127 13/16	0.1	1,250	Mr26 Se26	22.8	1301
Treas 9pc 2008‡‡		102 7/8	1.2	5,321	Ap13 Oc13	9.9	1343
Treas 8pc 2009		94 13/16	0.1	3,100	Mr25 Se25	19.8	1336
Over Fifteen Years							
Treas 6 1/4pc 2010		80 5/8	0.3	4,750	-	18.10	—
Conv 9pc Ln 2011‡‡		103 5/8xd	0.2	5,273	Ja12 Jy12	6.12	1245
Treas 9pc 2012‡‡		103 7/8xd	0.2	5,351	Fe6 Au6	2.1	1701
Treas 5½pc 2008-12‡‡		74 1/8	0.3	1,000	Mr10 Se10	4.9	1330
Treas 8pc 2013‡‡		95 1/8	0.2	5,800	Mr27 Se27	22.8	—
7¾pc 2012-15‡‡		92 1/8xd	0.2	800	Ja26 Jy26	20.12	1332
Treas 8¾pc 2017‡‡		102 1/8	0.1	7,550	Fe25 Au25	19.7	1982
Exch 12pc 2013-17		129 13/16	—	1,000	Ja12 De12	7.11	1280
Undated							
Consols 4pc		45 13/32xd	-.4	359	Fe1 Au1	26.12	1239
War Loan 3½pc‡‡		40 13/16	-1.0	1,909	Je1 De1	25.10	1352
Conv 3½pc '61 Aft		58 1/4	0.5	119	Ap1 Oc1	25.8	1243
Treas 3pc '66 Aft		34 1/8	-1.1	56	Ap5 Oc5	1.0	1224
Consols 2½pc		29 1/8	0.2	275	5JaApJyOc	1.12	1238
Treas 2½pc		28 5/8	-.2	475	Ap1 Oc1	25.8	1315
Index-Linked	(b)						
2pc '96	(67.9)	201 1/16	—	1,200	Mr16 Se16	10.8	1313
4⅝pc '98‡‡	(135.6)	108 3/16	-.3	800	Ap27 Oc27	20.9	—
2½pc '01	(78.3)	168 1/8	-.3	1,500	My24 Se24	16.8	1316
2½pc '03	(78.8)	162 1/8	-.3	1,300	My20 Nv20	17.10	1317
4⅜pc '04‡‡	(135.6)	108 1/8	-.5	1,000	Ap21 Oc21	14.9	—
2pc '06	(69.5)	168 1/4xd	-.4	1,650	Ja19 Jy19	13.12	1314
2½pc '09	(78.8)	152 13/16	-.5	1,750	My20 Nv20	17.10	1318
2½pc '11	(74.6)	157 13/16	-.5	2,100	Fe23 Au23	18.7	1319
2½pc '13	(89.2)	130 1/8	-.6	2,300	Fe16 Au16	11.7	1320
2½pc '16	(81.6)	139 1/4xd	-.6	2,700	Ja26 Jy26	20.12	1321
2½pc '20	(83.0)	132 13/16	-.6	2,750	Ap16 Oc16	9.9	1322
2½pc '24‡‡	(97.7)	110 1/4xd	-.8	2,350	Ja17 Jy17	12.12	1323
4⅛pc '30‡‡	(135.1)	109 1/4xd	-.9	1,300	Ja18 Jy22	18.12	—

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for April 1994: 144.2 and for November 1994: 145.3.

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amt £m	Interest due	Last xd	City line
Asian Dev 10¼pc 2009		110 1/16	-1.0	100	Mr24 Se24	3.93	—
B'ham 11½pc 2012		119	—	45	My15 Nv15	4.93	1837
Ireland Cap 8½pc '10		97 1/8	-.4	303	Ap1 Oc1	—	1485
9pc Cap 1996		100 1/4	—	725	Ja30 Jy30	—	—
13pc '97-2		107 1/4	—	315	Ap1 Oc1	8.93	1426
Hydro Quebec 15pc 2011		141 1/8	-1.2	40	My31 Nv30	10.93	—
Leeds 13½pc 2005		128½	—	40	Ap1 Se0	3.93	3146
Liverpool 3½pc Irred		37	—	5	1JaApJyOc	6.93	—
LCC 3pc '20 Aft		32½	—	26	1JaJeSeDe	8.93	—
Manchester 11½pc 2007		115½	—	6	Ap25 Oc25	3.93	3275
Met. Wtr. 3pc 'B'		69¼	—	25	Mr1 Se1	8.93	3361
N'wide Anglia 3⅞pc 2021		132	—	60	Ja30 Jy30	1.93	3465
4⅛pc IL 2024		125¼	—	50	—	7.93	—
Utd Mex States 15½pc 2008		139	—	50	Mr1 Se1	8.93	—

* "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Jan 6	Jan 5	Jan 4	Jan 3	Dec 30	1994/95 High	Low	Since comp. High	Low
FT-SE 100	3065.0	3032.3	3051.6	3066.7	3065.5	3520.3	2876.6	3520.3	986.9
FT-SE Mid 250	3478.6	3473.3	3482.1	3496.2	3501.8	4152.8	3363.4	4152.8	1379.4
FT-SE Mid 250 ex Its	3487.1	3479.0	3495.7	3500.7	3504.9	4189.7	3362.4	4189.7	1378.3
FT-SE-A 350	1534.8	1521.5	1528.9	1538.8	1537.3	1779.3	1451.3	1779.3	664.5
FT-SE SmallCap	1745.68	1745.58	1747.31	1747.65	1746.41	2094.98	1727.68	2094.98	1363.79
FT-SE SmallCap ex Its	1720.40	1718.31	1719.05	1718.62	1715.85	2069.72	1697.08	2069.72	1363.79
FT-SE-A All-Share	1519.14	1507.07	1514.80	1521.08	1521.44	1764.11	1445.85	1764.11	61.92
FT-SE Eurotrack 100	1327.39	1328.95	1337.95	1332.95	1333.22	1540.16	1286.48	1540.16	300.45
FT-SE Eurotrack 200	1384.14	1379.66	1390.66	1386.41	1390.02	1607.10	1335.96	1607.10	838.82
FT Ordinary	2357.2	2331.0	2347.3	2383.7	2380.3	2713.6	2255.5	2713.6	49.4
FT Govt Securities	90.86	90.81	90.80	90.77	90.87	107.04	89.54	127.40	49.18
FT Fixed Interest	109.32	109.35	109.45	109.53	109.55	133.87	106.50	133.87	50.53
FT Gold Mines	1801.06	1830.26	1836.90	1828.54	1975.79	2367.4	1782.02	2367.40	922.18
Predecessor Gold Mines	174.2	234.1	236.6	244.5	242.3	298.9	185.0	734.7	43.5

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading: Pool purchase price £/MWh	Final Prices for Trading: Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]	[illegible]

... payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading: Pool purchase price £/MWh	Final Prices for Trading: Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]	[illegible]

... payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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LEGAL NOTICES

TRINITY INSURANCE COMPANY LIMITED
Increased Payment To Creditors

A Scheme of Arrangement was approved by the creditors of Trinity Insurance Company Limited ("Trinity") and subsequently became effective on 18 March 1993, after receiving High Court sanction.

Pursuant to the terms of the Scheme, the Scheme Administrator, Richard Boys-Stones and Colin Bird of Price Waterhouse set the "Initial Payment Percentage" at 10% with the agreement of the Creditors' Committee. The Commencement Date in accordance with the Scheme was 6 January 1994.

Following a review of the financial position of Trinity, and with the agreement of the Creditors' Committee, the Scheme Administrator has set a revised payment percentage at 15% with effect from 9 January 1995.

Scheme creditors who have already received a 10% payment in respect of their Established Liabilities will receive an additional payment, equivalent to the increase of 5% together with a compensatory payment.

Scheme creditors with claims established after this date will receive the increased payment percentage of 15% in respect of their claim within 60 days of each claim becoming an Established Scheme Liability.

Claims should continue to be agreed with Trinity and if creditors require more information, please contact:
Trinity Claims Department
Insurance Management Associates Limited
Russell Street
Gloucester GL1 1EL
Tel: 0452 528691 Fax: 0452 301387

In the High Court of Justice 007429 of 1994
Chancery Division

IN THE MATTER OF PRESTWICK HOLDINGS PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of The High Court of Justice (Chancery Division) dated 20th December 1994 confirming the reduction of the share premium account of the above named Company by the sum of £5,137,000 was registered by the Registrar of Companies on 21st December 1994.

Dated 9th January 1995
Morrison Shirrow, 63 Queen Victoria Street, London EC4N 4ST
(Ref: KMD/SXJ/PR276060)
Tel: 071 329 3299
Solicitors for the above-named Company

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 71) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 71) 873 4378.

	Selling Price	Buying Price	Yield Gross	City-Line
Pacific Basin Growth Fund				
NAV A Shs	$9.22		–	45448
NAV B Shs	$10.12		–	45453
SCI/TECH SA				
SCI/Tech NAV	$10.17		–	45741
Worldwide Limited				
NAV Nov 30	$83.14		–	40863
Yamaichi Capital Management (Guernsey) Ltd				
Thai Inv Fund	$21.60		–	46483

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(¥) - 0001 to 1100 hours
(‡) - 1101 to 1400 hours
(♦) - 1401 to 1700 hours
(#) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
b - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
x - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
a - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
‡ - Only available to charitable bodies.
♦ - Yield column shows annualised rates of NAV increase.
xd - Ex-dividend.

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf.		98	—	8%	–	Jan Dec	14.11	1767
9¼pc Non-Cum Prf.		116¼	0.2	9¼%	–	Jan Jul	14.11	1421
Cater Allen	♣†N□	446xd	—	28.3	1.6	Jan Jul	12.12	2061
Close Bros	♣N	223	—	1.8	2.9	Apr Oct	3.10	2166
Gerrard & Nat	♣†N□	400	–2	24.0	1.3	Jul Dec	7.11	2686
Hambros	♣N□	240	5.3	15.0	1.1	Aug Dec	28.11	2812
7½pc Cv Pf		164	2.5	7½%	–	Oct	5.9	4388
Joseph (L)	♣†N	409	—	17.65	1.9	Sep Dec	5.12	3060
King & Shaxson	♣N	109xd	—	8.8	1.1	Jan Jul	10.12	3088
Kleinwort Benson	♣†N□	548	–9	18.25	2.6	May Oct	15.8	3162
Rea Bros	♣†N□	98	1.5	0.98	3.2	May Oct	29.8	3165
Schroders	♣†N□	1443	–1.5	18.5	6.9	May Oct	12.5	3939
N/V	†N	1310	–1.0	18.5	5.9	May Oct	12.9	3941
Singer & Fried	♣†N□	60	—	3.13	2.8	Nov Jan	10.9	4828
Union	♣†N□	92	—	4.6	3.6	Mar Oct	26.9	4353
Warburg (SG)	♣N□	684	–1.0	22.0	2.4	Jul Dec	14.11	4425
Winbust	♣N	818	0.6	18.25	1.5	Oct Mar	22.8	4524

BANKS, RETAIL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	□	222½	1.6	061%	ф	Sep May	9'93	–
ANZ A$		203	–4.2	025c	ф	Jan	12'93	–
Abbey National	†N□	439½	1.9	15.55	2.1	May Oct	15.8	5411
Allied Irish I£	♣†N□	272	0.7	0534½%	2.7	Oct May	15.0	1354
Anglo Irish I£	N□	83xd	–1.0	017.5%	1.7	Jan Jul	28.11	1355
Asahi 7	□	730¼	–1.4	014%	ф	Jan Dec	12'92	3049
Banco Bil Viz Pta	□	£16⅛	3.2	027.2%	2.7	JyOcJaAp	7'93	–
Banco Sant Pta		£24⅝	—	036%	2.0	MyAuOcJa	1.8	–
Bk Ireland I£	†N□	301xd	1.0	014.7%	3.2	Jan Jul	21.11	1360
Bank Scotland	♣†N□	265	–3.1	5.31	3.3	Jul Dec	17.10	1742
0¼pc Pf		117	–2	9¼%	–	May Nov	17.10	1482
9¼pc Pf		123	—	9¼%	–	May Nov	17.10	1685

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Anglo Am Ind		£33	-2.9	Q375c	1.9	Oct Apr	3'93	-
Barlow	♣	£5⅝xd	-1.1	Q56c	2.0	Jan Jul	12.12	-
Gold Flds Prop R		138xd	16.3	Q62c	ф	Feb Sep	31.1	-
NK Props.		85	-10.5	Q67.1c	-	Feb Sep	10'93	-
SASOL	♥	537	2.5	Q78c	-	Oct	9'93	-
SA Brews	†	£15¼	-3.0	Q163c	2.2	Jun Dec	21.11	-
Tiger Oats		763xd	—	Q85c	2.8	Jan Jul	12.12	-
Tongaat-Hulett	†h	704	-2.9	Q80c	2.4	Feb Aug	1'94	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ *Merger bid or reorganisation in progress*
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. 6 Dividend based on prospectus or other official estimates for 1995. & Dividend based on prospectus or other official estimates for 1994 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Figures based on IIMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. 8 Forecast annualised dividend, cover based on prospectus or other official estimates. 7 Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: RAP Group (Dists.), Euclidian (Insurance), Fidelity Special Values Ord and Warrants and Murray Emerging Economies Ord and Warrants (Inv. Tsts.). Deletions: Philips Fin. 5¾pc (Elect. & Elect. Eq.), and Gartmore Value Ord. and Zero Div. Pf. (Inv. Tsts.).

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT5041. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close January 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	11⅞	AAR	0.48	3.6	24	218	13⅜	13⅛	13¼	
19⅞	12⅝	A L Labs A	0.16	0.0	45	308	u19⅞	10½	19⅞	
79⅜	57⅝	AMP	1.68	2.4	21	1945	71⅞	71⅛	71⅛	-¼
72¾	48⅛	AMR			110	5610	56⅛	56⅛	55¾	-⅝
5	3⅜	ARX			12	95	3⅞	3¾	3¾	
56⅛	38⅝	ASA	2.00	4.7	27	585	43¾	42⅛	42⅜	-½
33⅞	25⅞	AbbtL	0.76	2.4	17	8248	32⅞	32	32	-½
15¼	11⅞	AbitibI Pr	0.29	3.6	12	160	13¾	13½	13¾	+⅛
23⅞	17¾	ABM Ind	0.60	2.8	13	132	23	22⅝	22⅞	+⅛
16	11⅛	Acptncein			11	33	15	14⅞	15	
31	20¾	ACE Ltd	0.44	1.0	24	412	23¼	22⅞	22⅞	-½
12½	9	ACM Gvt In	1.08	11.5	8	561	9⅝	9⅜	9½	
10⅝	6⅞	ACM GvOpp	0.00	18.6		4	7½	7⅜	7⅜	
10⅛	8¼	ACM Gvt Sp	0.80	13.2		294	7⅜	7¼	7¼	-⅛
12	7⅝	ACM Gvt Se	1.09	12.8		499	8⅝	8⅛	8½	
11¾	7⅞	ACM Man	1.60	13.1		178	8⅜	8¼	8¼	
9¼	7½	ACM Managd	0.72	9.8		97	7⅝	d7½	7½	
15½	8¾	AcmeClv	0.44	4.1	21	172	10¾	10½	10¾	+¼
13⅞	6½	Acme Elect			12	128	13⅛	12⅝	12¾	-¼
33½	23	Acordia	0.60	1.0	16	48	33	32⅝	33	+⅜
13¾	5¾	Actava	0.36	3.9	2	267	9¼	9⅛	9⅜	
18⅜	11¼	Acuson			26	680	16	15⅝	16	+⅛
18⅜	15½	Adams Expr	0.68	4.3	0	167	16	15⅞	15⅞	-⅛
64	45½	Ad Micro	3.00	5.3		1031	57¼	53¾	57⅛	+3⅛
21¾	16¾	AdvMic	3.00	10.8		837688	27⅞	25	27⅞	+2⅜
6⅞	5	Advest Grp	0.18	3.1	15	58	5⅛	d5	5⅛	
20	15	Advo Inc	0.10	0.6	18	467	17⅛	16½	17⅛	+½
64⅛	49⅜	Aegon ADR	1.47	2.3	12	19	u64⅝	64¼	64⅝	-¼
65¾	42¼	AetnaL	2.70	5.6	0	712	47¼	46¾	47¼	+⅛

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

مكتبة عمد الإصل

4 pm close January 6

NYSE COMPOSITE PRICES

1994/95 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
17⅞	11¼	SFeGd			23	9457	11⅝	d11¼	11¼	-½
34¾	30⅝	SFePPipe	2.80	8.2	8	51	u34¼	33½	34¼	+½
26¼	12⅛	SanFeP	0.10	0.6	14	6109	17¾	17⅝	17⅝	
28	18⅜	SaraLee	0.68	2.7	34	4801	25⅜	25⅛	25⅛	-⅜
50⅛	41	Scana Corp	2.82	0.8	12	174	42⅝	42½	42⅝	+⅛
30½	12½	Scecrp.	1.00	0.7	8	3182	15	14¾	14⅞	+⅛
48½	01¼	SchererRP			29	288	44⅛	43¾	43⅞	-⅛
75⅞	64½	SchPl	2.04	2.8	15	1852	74¼	73⅞	74	+¼
53	50	Schlmb	1.20	2.3	24	3133	51⅝	51⅛	51½	+⅜
37	23¾	Schwab(C)	0.28	0.8	16	619	34½	33⅝	34½	+1
10¾	6⅛	Schweitzer			7	37	7⅞	7⅞	7⅞	+⅛
22¼	12½	SciAtl	0.06	0.3	35	8670	19⅛	18	19	
18¼	13	Scotman	0.10	0.6	12	187	17⅞	17	17⅛	+⅛
70⅝	27¼	ScottP	0.88	1.1	21	5617	70¼	69¼	70	+⅞
28⅝	18½	ScudderNAsF	0.02	0.1		151	19	18⅞	19	
12⅝	8¾	ScudderNEnF	0.15	1.8		184	9	8⅞	9	
16¾	12	SeaCoB	0.70	4.7	9	43	14⅞	14⅝	14¾	+⅞
16½	14¼	SeaC1.4625	1.46	9.7		7	15⅛	15⅛	15¼	
26⅛	22⅞	S'gate			9	4340	d28⅞	28⅞	28⅛	
32⅝	26¼	Seagram	0.60	2.1	14	1490	29½	28¼	29¼	-⅛
29¾	17⅝	Seagull En			31	1552	19⅞	18¾	18¾	-⅝
37¼	28⅝	Sealed Air			22	338	u37¼	36⅞	37¼	+1
50⅛	42⅛	SearsR	1.60	3.4	14	6126	48	47¾	47⅝	+⅞
13⅞	9¾	Seligm Sel	0.84	7.7		44	10⅞	10¾	10⅞	+⅛
39⅛	28	Sensormat	0.22	0.6	27	3076	34⅛	33	33⅞	-⅛
39¾	17⅞	SequaA	8.00	2.5	8	318	24⅝	23⅞	24	-⅞
40⅛	21	SequaB	0.50	1.6	14	5	26½	26½	26½	-½
[illegible]										

1994/95 High	Low	Stock	Div.
19⅞	10½	Tandem	
50⅝	30¾	Tandy	0.72
12¼	7⅞	Taurus Mun	0.89
4	2	TCCInd	
22⅝	18⅛	Teco Energ	1.01
40½	22⅝	Tektrx	0.60
29⅝	23⅛	TeleDn	
26⅝	18¼	Teldyn	0.80
46⅛	22½	TeleEspSA	1.09
75	38½	Telmex	1.51
58¾	43	Tmplnl	1.08
30⅝	18	TempltEmMk	0.18
9⅞	6¼	TempltGlob x	0.60
8	6¼	TempltGIFd x	0.60
58¾	37	Tnneco	1.60
30	25¼	Teppco Pts	2.40
34¼	20⅜	Teradyne	
9⅞	4¼	Tesox	0.06
13⅛	5⅞	Terra Inds	0.08
12⅝	5¾	Tesoro	
68⅛	58⅞	Texaco	3.20
39¾	29¼	Texas Ind	0.20
89½	61	TxInst	1.00
22⅛	17⅞	Texas Pac	0.40
43⅛	29⅞	TxUtil	3.08
4⅞	2½	Textl Inds	1.10
60⅝	48½	Textrn	1.40
4¾	2⅜	Thackeray	
24¼	14¾	Thai Cap	0.35
36½	21⅞	Thai Fund	0.07
[illegible]			

[illegible]

NASDAQ NATIONAL MARKET

4 pm close January 6

[illegible]

AMEX COMPOSITE PRICES

4 pm close January 6

[illegible]

FT GUIDE TO THE WEEK

MONDAY

S Africa's Mbeki visits Bonn

Thabo Mbeki (left), first deputy president, begins a five-day visit to Germany, designed to improve economic ties and pave the way for a possible visit to South Africa by Chancellor Helmut Kohl later this year. Mr Mbeki will meet President Roman Herzog in Berlin and be fêted by barons of German industry at a dinner in Frankfurt.

Nigerian constitution

Nigeria's constitutional conference resumes after a month's break. By December the conference had covered its agenda but made very few changes to the constitution. Approval of the draft proposals to be passed to the military government would complete the task of the conference. However, more controversy is expected over the proposal that the military should hand over to civilian rule by the end of 1995.

365: a space odyssey

Russian cosmonaut Valeri Poliakov is set to surpass his own world record for non-stop space flight today, when he completes 365 days 22 hours and 39 minutes. It is intended that he should remain in orbit until March 26. The aim of the endurance test is to gather information that may one day make possible a manned flight to Mars.

Court hearing in Singapore

The High Court in Singapore begins hearing a contempt of court case against US academic Christopher Lingle and various executives from the International Herald Tribune newspaper.

Talks on E Timor in Geneva

Portuguese and Indonesian foreign ministers due to meet under United Nations auspices for exploratory talks on settling the problem of East Timor, the former Portuguese colony, which Indonesia invaded in 1975 and annexed a year later.

Portugal favours self-determination for its former colony, while Indonesia has consistently laid claim to East Timor as its 27th province.

UK politics

The House of Lords, parliament's upper chamber, ends its Christmas recess.

TUESDAY

Sweden set for harsh budget

Sweden's Social Democratic government presents its first full budget since taking power last September. Markets will watch closely to see that finance minister Göran Persson keeps to his promise to cut public spending by SKr20bn ($2.65bn), one of the biggest cuts attempted in Sweden's generous welfare state.

The downgrading of Sweden's sovereign debt rating by Moody's last week underlined the importance of controlling the big budget deficit and fast-growing state debt. But Mr Persson is also under severe pressure from within social democratic ranks not to cut too deeply into state benefits and public sector systems.

Whales on the menu

The International Whaling Commission meets in the Lofoten Islands, Norway's whaling capital, to resolve two outstanding issues for the revised management scheme for whaling agreed last year in Mexico. Delegates have to decide this week who will pay for the costs associated with deploying national inspectors and international observers on each vessel undertaking whaling.

Norway and Japan are the only two countries which kill whales for "research" – and domestic consumption. Agreement is expected on whaling countries paying for inspectors, but they refuse to pay for international observers which they argue should be funded by the IWC.

Nordics ponder their role

Nordic leaders hold their first Nordic Council meeting since Sweden and Finland joined Denmark in the European Union on January 1. The purpose is to set the agenda for the year. The chief task facing the organisation is to map out a future for Nordic co-operation now that only Norway and Iceland of the five members are not in the EU.

UK politics

The House of Commons reconvenes after the Christmas recess.

Labour into Europe

More than 100 big companies are expected to send representatives to a conference in Brussels run by the British Labour party to explain its approach to the European Union. Tony Blair, the party leader, addresses a conference dinner in the evening.

New York saleroom

One of London's leading dealers in Renaissance art, Cyril Humphris, is selling off his personal collection at Sotheby's New York today and tomorrow. Among the highlights are two bronze plaques by Ammanati, one of which portrays his friend Michelangelo, broken nose and all (estimated at more than $1m), and a marble life-size group of Adonis and his hound by Bandini, which could top $2m.

WEDNESDAY

Clinton and Murayama meet

The US and Japanese leaders meet in Washington to discuss bilateral relations, including the US-Japan security accord, under which American troops are stationed in Japan. Mr Murayama is keener than ever for a friendly summit and closer links with the US, to avoid any tension in connection with this year's 50th anniversary of the end of the second world war.

Also on the agenda are the planned consortium to provide new light-water reactors for North Korea in exchange for that country abandoning its controversial nuclear programme and the November summit of the Asia Pacific Economic Co-operation forum, which Japan chairs this year.

Liberia's council due to meet

The five members of Liberia's new council of state are due to take their seats under the peace plan backed by neighbouring Ghana and Nigeria. This collective presidency is to act as the top level of government, above ministers and the parliament, and as a coalition of all the rival factions in the five-year civil war. Observers say that last-minute wrangling over the nomination of the five members could still delay the seating of the council.

UK economic policy

The minutes from December 7's monthly monetary meeting between Kenneth Clarke, UK chancellor, and Eddie George, governor of the Bank of England, are released. They will be received with great interest, in the light of the unexpected interest rate rise from 5.75 per cent to 6.25 per cent following the meeting.

Analysts will be keen to ascertain how far political pressures influenced the decision to raise rates. The minutes may also provide clues to whether Mr George's assessment of the inflationary pressures in the UK economy implies that further interest rises will be needed soon.

UK politics

The House of Commons debates a crucial motion on the membership of committees arising out of the government's withdrawal of the Conservative Party whip from eight Euro-sceptic MPs and the resignation of a ninth. A government defeat would endanger prime minister John Major's ability to carry his legislative programme, but the Conservatives are expected to win with the help of Ulster Unionist MPs.

THURSDAY

OSCE meets in Vienna

Western criticism of Russia's behaviour in Chechnya is likely to surface at a regular meeting of ambassadors to the Organisation for Security and Co-operation in Europe (previously the Conference on Security and Co-operation in Europe).

Former Yugoslavia and Chechnya still have not found their place in the post-cold war order

The ambassadors could decide to send a fact-finding mission to the war zone, although it would be difficult to do so without Russia's consent.

Rulings expected on BCCI

The painstaking progress towards a settlement for creditors of the failed Bank of Credit and Commerce International continues this week in the courts in Luxembourg and the Cayman Islands.

The High Court in London has already approved the latest plan put forward by the UK-based liquidators, accountants Touche Ross, in which the Abu Dhabi government, the principal shareholder of BCCI, will pay $1.55bn after the successful completion of the court hearings, $150m 24 months later and $100m 36 months after completion.

Before funds can be paid out, however, the scheme must be cleared by courts in all three jurisdictions where BCCI was registered. Today and tomorrow, the Cayman Islands will hear the case and a judgment is expected. Luxembourg is expected to publish its judgment today, having heard the case earlier.

A previous plan put forward by the liquidators was thrown out by the Luxembourg court on appeal. An appeal period follows the publication of the judgment.

An appeal could delay the plan by up to a year and, if successful, would derail it for a second time.

Polish court rules on tax

Poland's constitutional court is due to rule on whether higher tax rates that the government is seeking to impose in the face of opposition protests are lawful. President Lech Walesa says they are not and has called on Poles to pay lower rates. The court will also say whether Andrzej Olechowski, the foreign minister, was breaking anti-corruption laws when he held on to the chairmanship of the Bank Handlowy supervisory board after being appointed to public office. If the court rules against him, Mr Olechowski has said he will relinquish his government post.

Charity celebrates 100 years

Britain's National Trust, its biggest charity and a leading guardian of its heritage, celebrates its centenary by launching a fund-raising drive at the Grosvenor House Hotel, London, where it was founded 100 years ago. The Trust wants to build an endowment that will give it £5m each year.

FRIDAY

Juppé begins Nordic tour

France's foreign minister Alain Juppé begins a whirlwind trip through Scandinavia as part of a briefing exercise covering new European Union members. France has just begun its six-month stint in the EU presidency. Oddly enough his first stop is Norway, which rejected membership of the EU last November. However, Mr Juppé's trip was planned before the referendums. In Norway, Mr Juppé will meet prime minister Gro Harlem Brundtland and foreign minister Björn Tore Godal to discuss the country's future co-operation with the EU.

Nureyev treasure sale

The grand furnishings of the late Rudolf Nureyev's apartment in the Dakota building, overlooking Central Park, are to be sold at Christie's in New York for the benefit of dance charities, which should receive more than $4m. The star lots are paintings of 18th-century English grandees by Reynolds and Lawrence, but the auction also includes Roman marbles and Fuseli's "Satan starting from the Touch of Ithuriel's Lance" (above).

SATURDAY

Brown begins visit to India

Ron Brown, US commerce secretary, begins a week-long business development mission to India, has begun to warm in the wake of a textile deal and because the Clinton administration appointed an ambassador.

Accompanied by 25 CEOs Brown will visit New Delhi, Bangalore and Bombay to encourage India's economic reform programme and promote US sales of telecommunications, power generation and transportation equipment.

Germany flings wide the door

For only the second time in its history the German foreign ministry – the Auswärtiges Amt – will open its doors to the public to mark the 125th anniversary of its transformation from the Prussian foreign ministry to an all-German one.

Foreign Minister Klaus Kinkel will greet guests and plans to be the first foreign minister to hold a worldwide conference on the CompuServe computer network.

SUNDAY

Capsules across the sea

A German-Japanese experimental space capsule is due to be launched from the Kagoshima Space Centre in Japan. The capsule is expected to land at Woomera, in South Australia, on January 21. It is the first agreement for a non-military launch in one country and recovery of the capsule in another.

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ECONOMIC DIARY

Other economic news

Monday: The markets are likely to focus on the US this week, with the release of some significant data that may prove pivotal for expectations of the next Federal Open Markets Committee meeting on January 31. November US consumer credit figures today are expected to show a small rise.

Tuesday: Meanwhile, fears that inflationary pressures are mounting in the US may be eased by December's producer price index, expected to show a small fall in the monthly price increase.

Wednesday: The US consumer prices index is also expected to show a flat rate of monthly growth. UK production data will be watched for signs of the recent surge in manufacturing output slowing. In Japan, the December trade data could also prove significant, since any indication the trade surplus is growing may provoke concern about the new US Congress's trade policy towards Japan.

Friday: UK trade data should provide further indications of the improving trend in the UK trade performance, while December's US retail sales data is expected to show a small decline in the monthly growth rate.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Nov consumer credit	$12bn	$11.6bn
Jan 9	Aus'lia	Oct retail trade	flat	2.4%
Tues	US	Dec producer prices indx	0.2%	0.5%
Jan 10	US	Ditto, excl food & energy	0.2%	0.1%
	US	Nov wholesale trade	-	0.3%
	Germany	Dec unemployment, West†	-12,000	-11,000
	Germany	Nov employment, West†	5,000	6,000
	Germany	Dec vacancies, West	-	2,000
	Germany	Dec shorttime, West	-	-3,000
	Germany	Dec unemployment, East	12,000	-21,000
	France	Dec consumer prices indx, prelim*	0.0%	0.0%
	France	Dec consumer prices indx, prelim**	1.6%	1.6%
Wed	US	Dec consumer prices indx	0.3%	0.3%
Jan 11	US	Ditto, excluding food & energy	0.3%	0.2%
	US	Dec real earnings	-	-1.3%
	Japan	Dec trade balance (1st 20 days)	-	$5.3bn
	France	Oct current a/c†	FFr5bn	FFr7.7bn
	UK	Nov manufacturing output*	0.3%	0.4%
	UK	Nov manufacturing output**	5.9%	5.5%
	UK	Nov industrial production*	0.3%	0.1%
Thur	US	Initial claims, Jan 7	325,000	335,000
Jan 12	US	State benefits, Dec 31	-	2.55m
	US	M2, w/e Jan 2	-$5bn	$12.6bn
	US	Dec monthly M2	$4bn	$2.1bn

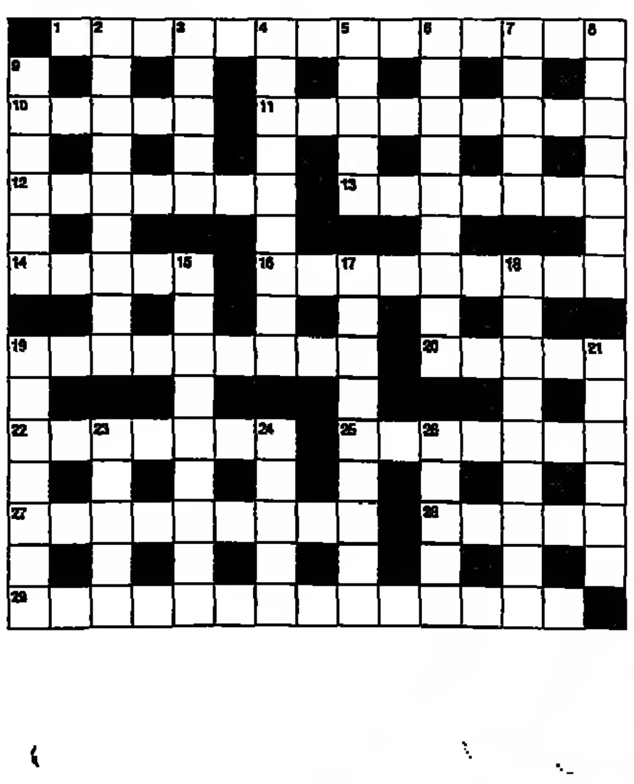
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Thur	US	Dec Atlanta Federal indx	-	18.9
Jan 12	Japan	Dec Bank of Japan data	-	-
(cont)	Germany	1994 gross domestic prod**	3%	-1.3%
	Germany	1994 gross domestic prod, West**	2.6%	-1.9%
	Aus'lia	Dec unemployment rate	9.1%	9.3%
	Aus'lia	Dec employment	20,000	30,000
Fri	US	Dec retail sales	0.7%	1.2%
Jan 13	US	Ditto, excl autos	0.5%	0.9%
	US	Dec bank credit	-	3.2%
	US	Dec C&I loans	-	9.5%
	Japan	Dec wholesale price indx*	-	0.0%
	Japan	Dec wholesale price indx**	-	-1.3%
	UK	Oct visible trade (global)	-£600m	-£500m
	Spain	Dec consumer prices indx*	0.3%	0.2%
	Spain	Dec consumer prices indx**	4.2%	4.4%
	N'lands	Dec consumer prices indx**	2.8%	2.5%
During the week...				
	Germany	Nov final M3	-	6%
	Germany	Dec final cost of living*	-	0.2%
	Germany	Dec final cost of living**	-	2.7%
	Germany	Nov retail sales	0.5%	-2%
	Germany	Dec wholesale price indx*	0.1%	0.1%
	Spain	Oct industrial production**	7.9%	7.5%

*month on month, **year on year, †seasonally adjusted *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

No.8,655 Set by ADAMANT

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday January 19, marked Monday Crossword 8,655 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday January 23.



ACROSS

1 Liberal, possibly, with standard typical setting for frenzied toil (5,9)
10 Preliminary notes from a book on skin troubles (5)
11 Crush round Lord Mayor, however (9)
12 Sat out with a French child, being supportive (7)
13 One who interrupts male clerk at work (7)
14 Article about girl looking pale (5)
16 Yet in most revolutions there is evidence (9)
19 In a classic year Uncle lost a pound on "Right Caller" (9)
20 A weapon might annoy the fellow in the middle (5)
22 The sound of running water, but the fruit has dried up (7)
25 In time support will recede for Liverpool, for example (7)
27 Left the sugar to crystallise – bow killing! (9)
28 Run into butter for fourpence (5)
29 Poirot's Consarvative? There's a mystery for you! (9,5)

DOWN

2 Lambskin for a street artist appearing before Asian prince (9)
3 Rushed round the hospital – it's a prickly point (5)
4 Using the future tense? (9)
5 Shelter the church from a bloodsucker (5)
6 Urban 19 across (9)
7 Basket for river fish caught at the start (5)
8 Early confusion about politician, the main parasite (7)
9 A little snooze? On board, that is included, thank you! (6)
15 Filthy lucre? Gain can be painful (9)
17 The extra payment is certain to include cleaner gas, initially (9)
18 Sick of quartet surrounding the colonel (3-6)
19 "The Bill" – coppers have journalist on charge (7)
21 Mistakes in the Latin translation (6)
23 Criticise the meat (5)
24 Expression of rebuke is over for African tribesman (5)
26 Fitting claim (5)

JOTTER PAD